

## **On Banks and Banking Activities in the Republic of Kazakhstan**

### ***Unofficial translation***

The Law of the Republic of Kazakhstan dated 31 August 1995 № 2444.

#### **Unofficial translation**

Footnote. The title is in a new version, the preamble is excluded, throughout the text the words "by Decree, "of Decree", "the Decree" shall be replaced by the words "by the Law", "of the Law", "the Law" -by the Law of the Republic of Kazakhstan, dated 2 March 2001 № 162 (see Art. 2).

Throughout the text, the word "(of the interest)" is excluded by the Law of the Republic of Kazakhstan dated 8 July, 2005 № 69;

Footnote. Throughout the text, words "Affiliates", "Affiliated", "affiliates", "affiliated", "affiliation", "affiliates", "affiliated", were replaced correspondingly by words "Affiliates", "Affiliated", "affiliates", "affiliated", "affiliation", "affiliates", "affiliated" in accordance with the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

## **Section I. The grounds and conditions for establishment and functioning of banks**

### **Chapter 1. General provisions Article 1. Bank, its status and location**

1. A bank - a legal entity which is a commercial organization, entitled to perform banking activities in accordance with this Law.

2. The official status of the bank is determined by the state registration (re-registration) of the legal entity as a bank in the State Corporation "Government for Citizens" (hereinafter - the Corporation) and the presence of a license from the authorized body for regulation, control and supervision of the financial market and financial organizations (hereinafter - the authorized body) to conduct banking operations.

3. No legal entity that does not have the official status of the bank, may be called a "bank" or describe itself as the entity engaged in banking activities.

4. The location of the bank shall be the address (correspondence address) of its Board.

Footnote. Article 1 as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 № 154; dated 16.07.1999 № 436; dated 02.03.2001 № 162 (see Art. 2); dated 10.07.2003 № 483 (shall be enforced from 01.01.2004); dated 05.07.2012 № 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

## **Article 2. Basic definitions, used in this Law**

The following definitions shall be used in this Law:

1) control – the ability to determine the decisions of the legal entity that occurs when one of the following conditions are met:

direct or indirect possession by one entity alone or together with one or more entities of over fifty percent of the shares in the authorized capital or the allotted shares (net of the preferred and those, repurchased by the company) of the legal entity or presence of the opportunity to vote on their own with more than fifty percent of the shares of the legal entity;

when one entity has the opportunity to elect at least half of the governing body or the executive body of the legal entity;

inclusion of financial statements of the legal entity, with the exception of the financial statements of a special financial company, incorporated in accordance with the legislation of the Republic of Kazakhstan on project financing and securitization, into the financial statements of the legal entity in accordance with the audit report;

the ability of one entity alone or together with one or more other entities to determine the decisions of the legal entity by virtue of a contract (supporting documents) or otherwise in the cases, provided by the regulatory legal act of the authorized body;

1-1) electronic trading platform for the sale of banking and microfinance assets - an Internet resource that provides infrastructure for participants to conduct trades, operating in accordance with the Law of the Republic of Kazakhstan "On state regulation, control and supervision of the financial market and financial organizations";

2) indirect ownership (voting) of the shares of the bank – the ability to influence the bank's decisions, a major participant of the bank, bank holding company or other entities, that are the major participant of the bank, the bank holding company through the ownership of the shares (the ownership interest in the authorized capital) of the legal entities;

2-1) inter-bank clearing – a collection, checking, sorting and confirmation of payments, as well as the organization of their netting and determination of net positions of clearing members - banks and organizations, performing certain types of banking operations;

3) banking conglomerate – a group of legal entities consisting of a bank holding company (if any) and a bank, as well as subsidiaries of a bank holding company and (or) subsidiaries of the bank, and (or) organizations in which the bank holding company and (or) its subsidiaries and (or) the bank have a significant participation in the capital;

The banking conglomerate shall not include the national managing holding company, the bank holding company - non-resident of the Republic of Kazakhstan, as well as the subsidiaries and organizations in which the bank holding - non-resident of the Republic of Kazakhstan has a significant share in the capital, which are non-residents of the Republic of Kazakhstan;

3-1) subordinated debt of the bank – unsecured obligation of the bank on the issued bonds or the received loan conforming to the conditions provided by Article 16-1 of this Law;

3-2) information system of a bank or an organization carrying out certain types of banking operations (hereinafter-the information system) – a system designed to store, process, search, distribute, transmit and provide information using hardware and software, through which banking and other services are provided;

4) a bank holding company – a legal entity (except for the cases where such owner is a state or a national managing holding, an organization, specializing in improving the quality of credit portfolios of second tier banks, subsidiaries of the National Bank of the Republic of Kazakhstan, as well as the cases provided by this Law), which is in accordance with the written agreement of the authorized body may own directly or indirectly twenty-five or more percent of placed (excluding privileged and repurchased by the bank) shares of the bank or be able to:

vote directly or indirectly with twenty-five percent or more of voting shares of the bank;

determine the decisions made by the bank, by virtue of an agreement or otherwise, or have control;

5) a regulatory equity capital (hereinafter - the equity capital) of the bank – the amount of equity capital, net of the bank's investments;

6) a major participant of the bank – an individual or legal entity (except for the cases when such owner is the state or a national managing holding, an organization specializing in improving the quality of credit portfolios of second tier banks, subsidiaries of the National Bank of the Republic of Kazakhstan, as well as the cases provided by this Law) which is in accordance with the written agreement of the authorized body may own directly or indirectly ten or more percent of the placed (excluding privileged and repurchased by the bank) shares of the bank or be able to:

vote directly or indirectly with ten percent or more of voting shares of the bank;

influence the decisions made by the bank by virtue of the agreement or otherwise in the manner determined by the regulatory legal act of the authorized body;

7) a parent organization – the legal entity that has control over another legal entity;

8) a deposit – the money, given by one person (depositor) to another person - the bank, including to the National Bank of the Republic of Kazakhstan and the National Post, under the terms of its return in the nominal terms (with the exception of the investment deposit in the Islamic Bank) regardless of whether the money shall have to be returned on demand or in any period time wholly or partially with a pre-arranged bonuses or without it to the depositor directly or submitted to the third parties under the instructions;

9) a subsidiary -a legal entity, controlled by another entity;

10) indirect ownership interest in the equity capital or ownership (voting) of the shares of a legal entity– the ability to influence the decisions of the legal entity, a major participant of the legal entity or the persons who are a major participant of the legal entity through possessing (voting) of the shares (the ownership interest in the equity capital) of other legal entities;

11) a major participant of a legal entity – an individual or legal entity (except for the cases where such holder is the state or a national holding company), which owns, directly or indirectly, ten or more percent of the ownership interest in the equity capital or of the voting shares of the legal entity;

12) significant participation in the capital – the possession, directly or indirectly, alone or together with one or more entities of twenty or more percent of the voting shares (the ownership interest in the equity capital) or the ability to vote by twenty or more percent of the shares;

12-1) specialized branches bank – the second-tier bank, which is regulated by the separate legal act of the Republic of Kazakhstan;

12-2) perpetual financial instrument – an unsecured obligation of the bank on the bonds issued or the loan received, conforming to the conditions provided by Article 16-2 of this Law ;

13) impeccable business reputation – existence of the facts confirming professionalism, reliability, absence of unexpunged or outstanding criminal conviction, including absence of the court decision entered into force about the use of criminal punishment in the form of deprivation of the right to occupy the position of an executive employee of financial organizations, banking and (or) insurance holding company and to be a major participant (major shareholder) of financial organization for life;

13-1) service company – a subsidiary of a bank acquiring doubtful and bad assets of a parent bank, a collection agency that has, under a trust management agreement, rights (claims) under bank loan agreements and (or) microcredit agreements (hereinafter referred to as a trust management agreement of rights (claims) concluded with by the person indicated in part one of paragraph 4 of Article 36-1 of this Law and (or) part one of paragraph 5 of Article 9-1 of the Law of the Republic of Kazakhstan "On microfinance activity", powers for trust management of rights (claims) under bank loan agreements and (or) microcredit agreements, including changing the terms of a bank loan agreement and (or) microcredit agreement, on representing the interests of a person with whom an agreement on trust management of rights (claims) has been concluded in court, on receiving money and (or) other property from a debtor, and other powers provided for by this Law, other laws of the Republic of Kazakhstan and an agreement on trust management of rights (claims);

13-2) insolvent bank – a bank classified by the decision of the authorized body to the category of insolvent banks in accordance with this Law;

14) a stabilization bank – a second-tier bank, established under the decision of the authorized body for transference of assets and liabilities of the bank, which is under the conservation regime. Particularities of establishing a stabilization bank are established by this Law;

15) consumer bank loan - a bank loan that is not a mortgage housing loan (mortgage loan), provided to an individual for the purchase of goods, works, services and (or) other purposes not related to the entrepreneurial activities.

Footnote. Article 2 is in the wording of the Law of the Republic of Kazakhstan dated 20.11.2008 № 88 -IV (the order of enforcement See Art. 2); as amended by the Laws of the Republic of Kazakhstan dated 12.02.2009 № 133 -IV (the order of enforcement See Art. 2); dated 13.02.2009 № 135 -IV (the order of enforcement see Art. 3); dated 11.07.2009 № 185 -IV (shall be enforced from 30.08.2009); dated 28.12.2011 № 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 12.01.2012 № 539 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 № 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated 04.07.2022 № 133-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 19.06.2024 № 97-VIII (comes into force sixty calendar days after the date of its first official publication).

#### **Article 2-1. The affiliates of the bank**

1. The affiliates of the bank shall be the entities, specified in Article 64 of the Law of the Republic of Kazakhstan "On Joint Stock Companies", as well as the participants of the banking conglomerate.

Unless otherwise provided by this Article, the presence of a characteristic of a major shareholder of a bank at the national management holding company shall not be the ground for defining the affiliates of the bank in accordance with Article 64 of the Law of the Republic of Kazakhstan "On Joint Stock Companies".

2. Unless otherwise provided by this Article, the national managing holding or legal entities, one hundred percent of voting shares (participation stakes) of which belong to the national managing holding on the list, approved by the authorized body for state planning, as well as officials of the national managing holding and the above mentioned legal entities shall not be the affiliated persons of the bank, a major shareholder of which is the national managing holding.

Presence of the shareholders of these banks of the national management holding company shall not be the ground for recognizing the banks affiliated to each other.

3. Provisions of the second part of paragraph 1 and paragraph 2 of this Article shall not be taken into account for the purposes of the tax legislation of the Republic of Kazakhstan and the legislation of the Republic of Kazakhstan on transfer pricing.

4. The affiliates of a branch of a non-resident bank of the Republic of Kazakhstan shall be deemed the affiliates of a non-resident bank of the Republic of Kazakhstan, recognized to be

the same in accordance with the legislation of the state, the resident of which is the non-resident bank of the Republic of Kazakhstan.

A branch of a non-resident bank of the Republic of Kazakhstan shall keep records of its affiliates on the basis of information provided by a non-resident bank of the Republic of Kazakhstan.

Footnote. Article 2-1 is in the wording of the Law of the Republic of Kazakhstan, dated 13.02.2009 No 135 -IV (the order of enforcement See Art. 3); as amended by the Law of the Republic of Kazakhstan, dated 30.12.2009 No 234 -IV (shall be enforced from 21.02.2009); dated 29.09.2014 № 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.01.2021 № 399-VI (shall come into force from 16.12.2020).

### **Article 3. The banking system of the Republic of Kazakhstan**

1. The Republic of Kazakhstan shall have the two-tier banking system.

2. The National Bank of the Republic of Kazakhstan is the central bank of the state and represents the upper (first) level of the banking system.

The tasks, principles of activity, legal status and powers of the National Bank of the Republic of Kazakhstan are determined by the Law of the Republic of Kazakhstan "On the National Bank of the Republic of Kazakhstan" and other laws of the Republic of Kazakhstan.

The National Bank of the Republic of Kazakhstan regulates, as well as, along with its department, control and supervision on certain issues of banking activities within its competence and contributes to the creation of general conditions for the functioning of banks and organizations carrying out certain types of banking operations.

The regulatory, control and supervisory functions of the National Bank of the Republic of Kazakhstan, within its competence in relation to banks and organizations engaged in certain types of banking operations, are aimed at maintaining the stability of the monetary system of the Republic of Kazakhstan, protecting the interests of banks' creditors, their depositors and customers.

3. All other banks shall be the lower (second) tier banks of the banking system with the exception of the Development Bank of Kazakhstan, which has a special legal status, determined by the legislative act of the Republic of Kazakhstan.

4. *(Is excluded - No 162 dated 02.03.01)*

5. A bank with foreign capital – the second-tier bank, more than one-third of the outstanding shares of which are owned, possessed and/or managed:

a) by non-residents of the Republic of Kazakhstan;

b) by legal entities - residents of the Republic of Kazakhstan, more than one-third of the outstanding shares or the ownership interest in the equity capital of which are possessed, owned and/or managed by non-residents of the Republic of Kazakhstan or their equivalent legal entities - residents of the Republic of Kazakhstan;

c) by residents of the Republic of Kazakhstan, that are the managers of funds (agents) of non-residents of the Republic of Kazakhstan or legal entities, referred to in subparagraph b) of this paragraph.

5-1. The Islamic Bank – the second-tier bank, performing banking activities, specified in Chapter 4-1 of this Law, on the basis of a license of the authorized body.

The Islamic bank shall not be a participant of the obligatory deposits guarantee system, and the deposits in the Islamic bank shall not be guaranteed by the obligatory deposit guarantee system. The Islamic banks shall have the right to create a non-commercial organization in the organizational-legal form of a joint-stock company that guarantees the return of deposits, attracted by Islamic banks.

Particularities of establishing and functioning of the Islamic bank shall be specified in Chapter 4-1 of this Law.

6. The Interstate bank – the bank, established and functioning under the international treaty (agreement), established by the Government of the Republic of Kazakhstan (or a state body, authorized by it) and the government (the governments) of the state (states) that signed the treaty (agreement).

7. The creation of specialized industry banks with the participation of the state in the Republic of Kazakhstan, with the exception of the housing construction savings bank, which has the status of the national institute for development, is not allowed.

The housing construction savings bank, which has the status of the national institute for development, is a second -tier bank that has a special legal status determined by the laws of the Republic of Kazakhstan.

**Footnote. Article 3 as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 02.03.2001 No 162 (see Art. 2); dated 25.04.2001 No 179; dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 08.07.2005 No 72 (the order of enforcement see Art. 2); dated 12.02.2009 No 133 -IV (the order of enforcement see Art. 2 ); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 22.11.2024 № 138-VIII (shall be enforced six months after the day of its first official publication).**

#### Article 4. Banking legislation of the Republic of Kazakhstan

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

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



Footnote. Article 4 is in the wording of the Law of the Republic of Kazakhstan dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); as amended by the Law of the Republic of Kazakhstan dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication).

#### **Article 4-1. A branch of a non-resident bank of the Republic of Kazakhstan**

1. A branch of a non-resident bank of the Republic of Kazakhstan shall be a separate subdivision of a non-resident bank of the Republic of Kazakhstan, which is not a legal entity, located in the territory of the Republic of Kazakhstan, passed accounting redistribution with the Corporation and carrying out activities on the basis of a license from the authorized body.

2. A branch of a non-resident bank of the Republic of Kazakhstan shall use as its name the name, which is specified in the regulation on the branch of a non-resident bank of the Republic of Kazakhstan.

A branch of a non-resident bank of the Republic of Kazakhstan, in its name, shall be obliged to use the name of a non-resident bank of the Republic of Kazakhstan, as well as the “branch” word.

3. The location of a branch of a non-resident bank of the Republic of Kazakhstan shall be deemed the location in the territory of the Republic of Kazakhstan, specified in the regulation on the branch of a non-resident bank of the Republic of Kazakhstan.

Footnote. Chapter 1 is added with Article 4-1 in accordance with the Law of the Republic of Kazakhstan dated 02.01.2021 № 399-VI (shall come into force from 16.12.2020).

#### **Article 5. An organization, engaged in certain types of banking operations**

Unless otherwise established by this Law, an organization carrying out certain types of banking operations is a legal entity that is not a bank, which, on the basis of a license from an authorized body or the National Bank of the Republic of Kazakhstan or in accordance with the laws of the Republic of Kazakhstan, is authorized to carry out certain types of banking operations provided for by this The law.

Footnote. Article 5 is in the wording by the Law of the Republic of Kazakhstan dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the laws of the Republic of Kazakhstan dated 16.05.2014 № 203 -V (shall be enforced upon expiry of six months after its first official publication); dated 29.03.2016 № 479-V (shall be enforced upon expiry of twenty-one calendar days after its first official publication); dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).

#### **Article 5-1. Organization specializing in improving the quality of loan portfolios of second-tier banks**

1. The government of the Republic of Kazakhstan shall be the sole shareholder of the organization specializing in improving the quality of loan portfolios of second-tier banks.



2. The organization specializing in improving the quality of loan portfolios of second-tier banks shall have the right to carry out the following types of activities, in the implementation of which losses may occur, shall:

1) to issue shares for formation of the authorized capital, as well as bonds for financing own activities;

2) to reacquire own placed shares and bonds;

3) to conduct assessment of the quality of assets, rights of claims of banks and (or) legal entities that were previously banks, in order to make a decision on their acquisition;

4) acquire doubtful and bad assets, other rights of claim and assets from the National Bank of the Republic of Kazakhstan and banks, manage them, including by transferring them into trust, own and (or) sell them.

In the event of transfer of rights (claims) from the National Bank of the Republic of Kazakhstan to an organization specializing in improving the quality of loan portfolios of second-tier banks, the consent of the borrower, pledger, guarantor and other persons for such a transfer is not required;

5) to conduct assessment of the quality of shares and (or) bonds issued by banks and (or) placed by banks, legal entities that were previously banks;

6) to acquire shares and (or) stakes in the authorized capital of legal entities, including legal entities, the rights of claims to which were acquired from banks and (or) legal entities that were previously banks, to manage them, including by transfer to trust management, to own and (or) to sell them;

7) to acquire shares and (or) bonds issued and placed by banks, to manage them, including by transfer to trust management, to own and (or) to sell them;

8) to provide in property hiring (rent) the property, acquired and (or) obtained from banks and (or) the legal entities that were previously banks or to use other form of paid temporary use of such property, to transfer it to trust management;

9) to perform operations on securitization of the rights of claims and other assets, acquired from banks and (or) legal entities that were previously banks;

10) independently, as well as jointly with banks, to create (acquire) an organization, acquiring dubious and hopeless assets;

11) to acquire from legal entities that were previously banks the rights of claims and assets, including shares and (or) stakes in the authorized capital of legal entities, to maintain, to ensure safety, to manage them, including by transfer to trust management, to own and (or) to sell them.

If as a result of transaction, provided in passage one of this subparagraph, the property is acquired in the amount of ten and more percent of the size of assets of an organization specializing in improving the quality of loan portfolios of second tier banks, the decision on conclusion of such a transaction shall be made by the shareholder of this organization.

If as a result of transaction, provided in passage one of this subparagraph, the transfer of rights (claims) of the creditor occurs, the consent of the borrower, the pledgor, the guarantor and other persons will not be required to such a transfer. In this case the identity of a new creditor is recognized not having essential value for the debtor;

12) place money in securities and other financial instruments, as well as in second-tier banks, the National Bank of the Republic of Kazakhstan and the organization specified in paragraph 8 of Article 61-4 of this Law, on the terms of bank account and bank deposit agreements;

13) to carry out financing on the conditions of payment, urgency and repayment of banks and (or) legal entities that were previously banks;

14) to acquire services of organizations on the issues related to improving the quality of loan portfolios of

15) to carry out implementation of special programs, developed and approved by the Government of the Republic of Kazakhstan and (or) the National Bank of the Republic of Kazakhstan;

15-1) to carry out the restructurization of debt on assets, including rights (claims), write off and (or) cancel in whole or in part the principal debt and (or) remuneration, commissions, penalties (fines, penalties), other debts, manage assets and sell them, recognize possible losses arising as a result of these actions;

16) other types of activities, established by the Government of the Republic of Kazakhstan.

The procedure for carrying out by the organization, specializing in improving the quality of loan portfolios of second-tier banks, of types of activities provided by this paragraph, as well as claims for the acquired (purchased) assets by it and rights of claim shall be established by the regulatory legal act of the sole shareholder.

The organization, specializing in improving the quality of loan portfolios of the second-tier banks on the rights of claims, assigned to it under the contract of the bank loan shall be recognized as the creditor (lender) on bank loan operation and shall have all rights and obligations established by the bank loan contract.

An organization specializing in improving the quality of loan portfolios of second-tier banks shall have the right to engage collection agencies to collect and assign the rights of claims on bank loans with a delay in fulfilling an obligation under a bank loan agreement for more than ninety consecutive calendar days, and also to levy collection in an indisputable manner on money held on the bank accounts of the borrower, by presenting a payment request in accordance with paragraph 2 of Article 36 of this Law.

3. The organization, specializing in improving the quality of loan portfolios of the second-tier banks on implementation of the types of activities specified in paragraph 2 of this Article shall have the right to receive the target transfer from the budget.

Footnote. Chapter 1 is supplemented by Article 5-1 in accordance with the Law of the Republic of Kazakhstan dated 28.12.2011 № 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan; is in the wording of the Law of the Republic of Kazakhstan dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan dated 25.12.2017 №. 122-VI (shall be enforced from 11.03.2017); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 05.01.2021 № 407-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 04.07.2022 № 133-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

#### **Article 6. The ban on non-authorized activity**

1. No person who does not have an appropriate license from an authorized body or the National Bank of the Republic of Kazakhstan has the right to:

- 1) to carry out the banking transactions as a main or additional activity;
- 2) use in its name, documents, announcements and advertising the word "bank" or a word (expression) derived from it, giving the impression that it is performing banking operations. This prohibition does not apply to the National Bank of the Republic of Kazakhstan, branches and representative offices of banks, organizations specified in paragraph 8 of Article 61-4 of this Law, international financial organizations.

2. Banking operations carried out without a license of an authorized body or the National Bank of the Republic of Kazakhstan are invalid, with the exception of activities (operations) carried out by a state body, the National Post Operator, organizations specified in paragraph 8 of Article 61-4 of this Law, as well as the Bank Development of Kazakhstan within the powers established by this Law and other laws of the Republic of Kazakhstan.

Footnote. Article 6 is in the wording by the Law of the Republic of Kazakhstan dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the laws of the Republic of Kazakhstan dated 27.04.2015 № 311 -V (shall be enforced from 01.01.2015); dated 24.11.2015 № 419-V (shall be enforced from 01.01.2016); 29.03.2016 № 479-V (shall be enforced upon expiry of twenty-one calendar days after its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).

#### **Article 7. Delineation of responsibilities of banks and the state. Independence of banks**

1. The banks shall not be liable for the obligations of the state, as well as the state shall not be liable for their obligations, except for the cases, provided in paragraph 2 of this Article, as well as for the cases where the banks or the state assume such responsibility.

2. The state shall guarantee safety of deposits, taken by the interstate banks - residents of the Republic of Kazakhstan, and shall be liable for their obligations in proportion to the

ownership interest of the Government of the Republic of Kazakhstan (or the state body, authorized by it) in the equity capital of these banks.

3. Interference in any form of the state bodies and their officials in the activities of the banks shall be prohibited, except for the cases, expressly provided by the legislation of the Republic of Kazakhstan.

**Footnote. Paragraph 3 is supplemented by the second part by the Law of the Republic of Kazakhstan dated 7December, 1996 No 50. As amended by the Laws of the Republic of Kazakhstan dated 11 July1997 No 154; dated 2 March2001 No 162 (see Art. 2); dated 10 July 2003 No 483 (shall be enforced from 1 January 2004); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication).**

#### **Article 8. Activities, prohibited or restricted for banks and bank holding companies**

1. Banks shall be prohibited to carry out operations and transactions as entrepreneurship activity, not related to banking activity or not stipulated by paragraph 9 of this Article and paragraph 12 of Article 30 of this Law, as well as acquisition of stakes in the authorized capital or shares of legal entities, creation of and participation in activities of non-commercial organizations, except for membership in the National chamber of entrepreneurs of Kazakhstan, and cases established by this Law, and carrying out transactions with the securities in the cases, provided by paragraph 8 of this Article.

2. Bank holding companies shall be prohibited to carry out operations and transactions as entrepreneurship activity, as well as acquisition of participation stakes in the authorized capital or shares of legal entities, creation and participation in the activities of non-commercial organizations, except for membership in the National chamber of entrepreneurs of Kazakhstan, and cases established by this Law, and carrying out transactions with the securities in the cases, provided by paragraph 8 of this Article.

3. Prohibition, set in paragraphs 1 and 2 of this Article shall not apply to the following cases of establishment, as well as the acquisition of the ownership interest or the shares in the equity capital by:

1) by banks:

financial organizations, as well as non-resident legal entities of the Republic of Kazakhstan, having the status of banks, insurance organizations, pension funds, professional participants in the securities market, payment organizations in the amount of ten or more percent of the placed (minus preferred and redeemed by the company) shares (participatory interests in the authorized capital);

legal entities in the amount of less than ten percent of the placed (less preferred and redeemed by the company) shares (participation stakes in the authorized capital) provided that the acquired shares (participation stakes in the authorized capital) comply with the requirements of the regulatory legal act of the authorized body;

subsidiaries of special non-resident organizations of the Republic of Kazakhstan created for the purpose of issuing and placing securities under the bank guarantee;

subsidiaries of special financial companies created for securitization transactions in accordance with the legislation of the Republic of Kazakhstan on project financing and securitization;

organizations-residents of the Republic of Kazakhstan, acquiring dubious and hopeless assets, created (acquired) together with an organization, specializing in improving the quality of credit portfolios of second-tier banks;

subsidiaries-residents of the Republic of Kazakhstan acquiring dubious and hopeless assets of the parent bank;

subsidiaries whose exclusive activity is the collection of banknotes, coins and valuables;

organizations rendering services to the operator of the electronic money system;

subsidiaries carrying out leasing activities;

organizations rendering services on ensuring information, telecommunication and technological interaction between the participants of calculations on banking activity, including calculations on transactions with payment cards;

organizations carrying out activity on certification of conformity of the public key of an electronic digital signature to the private key of an electronic digital signature, as well as confirming the authenticity of a registration certificate;

legal entities, specified in Article 10 of this Law;

legal entities, when the shares or participation stakes in the authorized capital of these organizations accepted as collateral become the property of banks in accordance with the civil legislation of the Republic of Kazakhstan and the legislation of a foreign state;

stock exchanges and central depository carrying out activity on the territory of the Republic of Kazakhstan;

credit bureau;

organizations, specified in paragraph 8 of Article 61-4 of this Law;

organizations (residents and non-residents of the Republic of Kazakhstan) providing services to provide the possibility of providing financial and (or) payment services using artificial intelligence, blockchain and other innovative technologies;

organizations (residents and non-residents of the Republic of Kazakhstan) providing services to enable transactions for the provision of financial services between financial institutions or issuers and consumers of financial services using an information system via the Internet;

organizations (residents and non-residents of the Republic of Kazakhstan) carrying out the development, implementation, support of the software used in the activities of financial organizations, including for automating their activities;

other legal entities - in carrying out banking activities provided by chapter 4-1 of this Law by the Islamic bank;

2) bank holding companies:

financial institutions;

organizations- residents of the Republic of Kazakhstan, acquiring doubtful and loss claims of the second tier banks for their management and (or) their subsequent selling, restructuring, and (or) the securitization;

special organizations - non-residents of the Republic of Kazakhstan, established to issue and allot securities, guaranteed by the bank holding company;

special financial companies, established for securitization transactions in accordance with the legislation of the Republic of Kazakhstan on project financing and securitization;

the organizations whose sole activity is the collection of banknotes, coins and valuables, and leasing activities;

the organizations, providing services for information, telecommunication and technological cooperation between the participants of calculations on bank activities, including the transactions with payment cards;

the legal entities – non-residents of the Republic of Kazakhstan, having the status of banks, insurance companies, pension funds, professional participants of the securities market;

organizations, specified in paragraph 8 of Article 61-4 of this Law;

organizations (residents and non-residents of the Republic of Kazakhstan) providing services to provide the possibility of providing financial and (or) payment services using artificial intelligence, blockchain and other innovative technologies;

organizations (residents and non-residents of the Republic of Kazakhstan) providing services to enable transactions for the provision of financial services between financial institutions or issuers and consumers of financial services using an information system via the Internet;

organizations (residents and non-residents of the Republic of Kazakhstan) carrying out the development, implementation, support of the software used in the activities of financial organizations, including for automating their activities.

The requirements set forth in paragraphs eighteen, nineteen and twentieth of subparagraph 1) and paragraphs ten, eleven and twelfth of subparagraph 2) of part one of this paragraph apply to cases of creation, as well as acquisition by banks and bank holding companies of shares or interest in the equity capital of organizations - non-residents of the Republic of Kazakhstan in the presence of an agreement between the authorized body and the relevant supervisory body of a foreign state on the exchange of information.

Subsidiaries of the bank, except for the cases, provided in Article 11-2 of this Law shall be entitled to purchase only the shares or ownership interest in the equity capital of legal entities that meet the requirements, established by the regulatory legal act of the authorized body. Insurance (reinsurance) subsidiary organizations of the bank are also entitled to acquire

shares of the organization, guaranteeing the insurance payments to the policyholders (the insured, beneficiaries) in case of a forced liquidation of insurance companies, and the organizations for creation and maintenance of the database.

Subsidiary organizations of the bank holding company are entitled to acquire only the shares or ownership interest in the equity capital of legal entities that meet the requirements, established by the regulatory legal act of the authorized body. Subsidiary insurance (reinsurance) companies of the bank holding company are also entitled to acquire the shares of the organization, guaranteeing the insurance payments to policyholders (the insured, the beneficiaries) in case of a compulsory liquidation of insurance companies, and the organizations for formation and maintenance of the database. This requirement does not apply to:

- the bank subsidiaries- residents of the Republic of Kazakhstan;

- the legal entities in which a bank holding company is the parent company through possessing (the possibility to vote, make decisions and (or) influence the decisions made under a contract or otherwise) the shares of a bank resident of the Republic of Kazakhstan, which owns directly (has the ability to vote, to determine solutions and (or) influence the decisions made under a contract or otherwise) the shares or ownership interest in the equity capital of these legal entities;

- non-residents of the Republic of Kazakhstan, which are the subsidiaries of non-resident companies of the Republic of Kazakhstan, that are the bank holding company if any of the following conditions are observed:

- a bank holding company's individual credit rating is not lower than A rating in one of the rating agencies, the list of which shall be established by the authorized body, and a written confirmation from the financial supervision body of the country of origin of these legal entities that they are subject to the consolidated supervision;

- existence of an agreement between the authorized body and the relevant supervisory body of a foreign state on the information exchange, as well as the minimum required rating of one of the rating agencies. Minimum rating and the list of rating agencies are established by the regulatory legal act of the authorized body.

4. Purchase of the ownership interest by a bank in the equity capital or the shares of the legal entities, referred to in subparagraph 1) of paragraph 3 of this Article shall not exceed ten percent of the bank's equity capital per entity. This limitation applies to the bank's ownership interest in the equity capital or the shares of the said legal entities, including in the cases of their establishment.

The aggregate value of the bank's ownership interest in the equity capital or the shares of the legal entities, referred to in subparagraph 1) of paragraph 3 of this Article shall not exceed the amount, defined by the regulatory legal act of the authorized body.

The restriction established in part one of this paragraph shall not apply to the banks in connection with their acquisition of control over another bank:



in respect of which restructuring has been conducted in accordance with this Law;  
carried out the operation provided by Article 61-4 of this Law.

5. Acquisition and possession by the bank of ten or more percent of the allotted (net of the preferred shares and those, repurchased by a joint stock company) shares or the ownership interest in the equity capital of financial institutions, as well as the legal entities - non-residents of the Republic of Kazakhstan, having the status of banks, insurance companies, pension funds, professional participants of securities market, shall be permitted provided that the bank meets the additional requirements to the minimum sufficiency of own capital, set by the regulatory legal act of the authorized body. This requirement shall apply to the cases of establishing of the said legal entities by the bank.

6. The aggregate percentage of shares (ownership interest in the equity capital) of the parent organization of a banking conglomerate, a bank or a bank holding company, owned by the subsidiaries of the bank or the bank holding company, the organizations in which the bank or the bank holding company has a substantial shareholding, shall not exceed the limits, established by the regulatory legal act of the authorized body.

7. When the banks acquire shares or ownership interest in the equity capitals of legal entities in the cases when the shares or ownership interest in the equity capitals of these institutions, taken as collateral, become the property of the banks in accordance with the Civil legislation of the Republic of Kazakhstan and the foreign law, the bank's interest in such legal entities shall not exceed ten percent of the equity capital of the bank.

The term of sale of shares or participation stakes in the authorized capital shall not exceed twelve months, except for the following cases:

transfer of shares or participation stakes in the authorized capital of these organizations accepted by the bank as collateral to a subsidiary of the bank created (acquired) under the conditions determined by Article 11-2 of this Law;

transfer to the ownership of the bank of shares or participation stakes in the authorized capitals of the organizations, specified in subparagraph 1) of paragraph 3 of this Article accepted as collateral.

The limitations, imposed by this paragraph, shall apply to the subsidiaries of the banks, with the exception of the bank's subsidiary, established (acquired) under the conditions, specified in Article 11-2 of this Law.

7-1. The bank shall sell the following property by holding auctions on the electronic trading platform for the sale of banking and microfinance assets:

collateral property that was previously security for the fulfillment of obligations under a bank loan agreement, which has become the property of the bank as a result of foreclosure;

property that has become the property of the bank as a result of the bank receiving compensation in exchange for the fulfillment of an obligation under a bank loan agreement.

The requirement established by part one of this paragraph shall not apply to housing leased by the bank in accordance with subparagraph 14) of paragraph 9 of this article with the condition of its redemption.

The property specified in part one of this paragraph shall be sold by the bank within three years from the date of its transfer to the ownership of the bank, with the exception of:

- a land plot, the term of sale of which is determined taking into account the features stipulated by the Land Code of the Republic of Kazakhstan;

- housing leased by the bank in accordance with subparagraph 14) of paragraph 9 of this article without a condition of its redemption, the term of sale of which is extended in proportion to the term of the lease.

The requirements established by parts one, two and three of this paragraph apply to organizations carrying out certain types of banking operations and subsidiaries of banks acquiring doubtful and hopeless assets of the parent bank.

The requirements of this paragraph shall not apply to cases of transfer of shares or participation interests in the authorized capital of legal entities to the ownership of banks, as provided for in paragraph 7 of this article.

The property specified in part one of this paragraph, in the event of recognition of the auction as invalid, may be sold by conducting a direct targeted sale in accordance with the rules for conducting auctions on the electronic trading platform for the sale of banking and microfinance assets, approved by the regulatory legal act of the authorized body.

8. Prohibition, set by paragraphs 1 and 2 of this Article, shall not apply to the cases of purchase of ownership of:

- the bonds of international financial institutions, the list of which shall be established by the authorized body;

- bonds, complying with the requirements established by the regulatory legal act of the authorized body;

- the bonds of a special financial company which is the subsidiary of a bank or the bank holding company, incorporated in accordance with the legislation of the Republic of Kazakhstan on project financing and securitization, issued under the securitization transaction between the bank or the bank holding company and a special financial company;

- the own bonds by the bank or the bank holding company and the bonds, issued by subsidiaries of the bank or the bank holding company, the obligations on which are guaranteed by the bank or the bank holding company. The order of transactions with these bonds is determined by the regulatory legal act of the authorized body.

The limitations, imposed by this Article, shall not apply to the cases of purchasing by the bank, the bank holding company, of the bonds instead of the previously acquired ones, the organizations that are under restructuring, subject to the inclusion of obligations on the previously issued bonds into the list of the restructured obligations of the organization.

9. In addition to the activities, referred to in paragraph 1 of this Article, the banks shall be entitled to perform the following types of activities:

1) development, implementation and support of specialized software used for automation of the activities of banks and organizations carrying out certain types of banking operations, or other software used in the activities of financial organizations;

2) to sell the special literature on banking activity on all types of data storage devices;

3) to sell its own property;

4) the issuance, sale and distribution of payment cards and checkbooks;

5) to conduct inter-bank clearing;

6) the issuance, sale, purchase and redemption of electronic money, as well as the provision of services for collection and processing of information on electronic money transactions;

7) sale, in the manner established by legislative acts of the Republic of Kazakhstan, of property pledged by borrowers and property received as compensation in exchange for the fulfillment of an obligation under a bank loan agreement;

8) to provide consulting services on the issues, related to the financial activities;

9) to represent the interests of other persons on the issues, related to banking activities, or as a representative of the bondholders;

9-1) the implementation of intermediary services between the payer and the supplier of goods, works and services by providing service maintenance, including the possibility of receipt and remote payment for goods, works and services using systems, programs, bank infrastructure, when payment can be made in a non-cash way;

9-2) provision of services for managing the depositor's account (accounts) opened with the central depository in the name of the depositor;

10) to organize trainings to improve personal skills of the experts of banking and financial activities;

11) for the certification of conformity of the public key of an electronic digital signature to the private key of an electronic digital signature as well as on confirmation of authenticity of the registration certificate in respect of its customers, using its banking services under the license of the authorized body in the sphere of informatization;

12) to conclude contracts of insurance on behalf of insurance companies - residents of the Republic of Kazakhstan in the existence of an agreement between the bank and the insurance companies - residents of the Republic of Kazakhstan to conclude the insurance contracts on behalf of the organizations;

13) lease its own property to subsidiaries in accordance with the contract of property lease (rent);

14) on the basis of a property lease (rent) agreement, including with a buyout condition, lease housing that has become the property of the bank.

Only individuals who belong to socially vulnerable groups of the population in accordance with the Law of the Republic of Kazakhstan "On Housing Relations" and whose housing has become the property of the bank as a result of foreclosure due to their failure to fulfill or improper fulfillment of obligations under the mortgage housing loan agreement (mortgage loan) or provision of compensation in the form of housing that acted as collateral under the mortgage housing loan agreement (mortgage loan) may act as tenants of the housing specified in part one of this subparagraph;

15) participate in syndicated financing and (or) act as an agent bank and (or) collateral manager in accordance with the legislation of the Republic of Kazakhstan on project financing and securitization.

10. In addition to the activities, referred to in paragraph 2 of this Article, the bank holding companies shall be entitled to perform the following types of activities:

1) to purchase property from a person, not bounded with the bank holding by the special relationships, and which is acquired for their own needs;

2) to provide consulting services on the issues, related to financial activities;

3) sale of own property.

11. Banks and bank holding companies shall be prohibited to issue a "golden share".

12. Transactions with the state securities and non-state securities in the secondary market, as well as with the derivative financial instruments shall be made by the banks solely at the organized securities market, except for the cases, stipulated by the regulatory legal act of the authorized body.

13. The requirements of this Article shall not apply to:

1) the bank holdings of Islamic banks;

2) the bank holding companies, indirectly possessing (having the opportunity to vote, to make decisions and (or) influence the decisions under the contract or otherwise) the bank's shares through the possessing (the possibility to vote, make decisions and (or) influence the decision making under the contract or otherwise) of the shares or ownership interest in the equity capital of the bank holding company-resident of the Republic of Kazakhstan, which owns directly (has the opportunity to vote, make decisions and (or) influence the decision making under the contract or otherwise) the shares of the said bank;

3) non-residents of the Republic of Kazakhstan that are a bank holding company, an entity, possessing the characteristics of the bank holding company, if any of the following conditions are provided:

presence of an individual's credit rating not lower than the A rating of one of the rating agencies, the list of which shall be established by the authorized body, as well as by a written confirmation from the Financial Supervisory Authority of the country of origin of the bank holding company, the entity, having the characteristics of a bank holding company, about the fact that the said entities –non-residents of the Republic of Kazakhstan are subject to the consolidated supervision;

existence of an agreement between the authorized body and the relevant supervisory body of a foreign state on the information exchange, as well as the minimum required rating of one of the rating agencies. Minimum rating and the list of rating agencies are established by the regulatory legal act of the authorized body;

4) the bank holding companies - residents of the Republic of Kazakhstan, which are the financial institutions.

5) banks in connection with acquisition of shares of another bank or other securities, the holder of which is another bank, or participation stakes in the authorized capital of legal entities belonging to another bank, during their reorganization in the form of accession in the manner prescribed by the legislation of the Republic of Kazakhstan, or operation provided by Article 61-4 of this Law.

14. Branches of non-resident banks of the Republic of Kazakhstan shall be prohibited to carry out operations and transactions as entrepreneurial activities that are not related to banking activities provided for in paragraph 2-1 of Article 30 and paragraph 4 of Article 52-5 of this Law, as well as activities, provided for by subparagraph 2) of paragraph 10 of this Article.

Footnote. Article 8 is in the wording by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (the order of enforcement See Art. 2); as amended by the Laws of the Republic of Kazakhstan dated 12.01.2012 No 539 -IV (shall be enforced upon expiry of 10 calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 26.12.2012 No 61 - V (shall be enforced from 04.02.2012); dated 21.06.2013 No 106 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 19.03.2014 № 179-V ( shall be enforced from the date of its first official publication); dated 10.06.2014 № 206-V ( shall be enforced upon expiry of ten calendar days after its first official publication); dated 27.04.2015 № 311-V (the order of enforcement see Article 2); dated 24.11.2015 № 419-V ( shall be enforced from 01.01.2016); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 26.07.2016 № 12-VI (shall be enforced upon expiry of thirty calendar days after its first official publication); dated 27.02.2017 № 49-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI ( shall be enforced upon expiry of ten calendar days from the date of its first official publication); dated 02.01.2021 № 399-VI (for the procedure of enactment see cr.2); dated 04.07.2022 № 133-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 19.06.2024 № 97-VIII (for the procedure for entry into force, see Art. 2).

**Article 8-1. Restrictions imposed to the banks when making transactions**

1. A bank shall have no right to issue bank loans and bank guarantees to the individuals, bounded with it by the special relationships, defined in accordance with Article 40 of this Law, except for:

the bank loans and bank guarantees, granted to the entities that are the members of the banking conglomerate;

the secured bank loans and bank guarantees, the amount and form of which meet the requirements, established by the regulatory legal act of the authorized body;

the bank loans and bank guarantees, granted to the entities that have no the signs of unstable financial condition, defined by the regulatory legal act of the authorized body.

2. A bank shall have no right to issue bank loans and bank guarantees to a legal entity (resident and non-resident of the Republic of Kazakhstan), that does not meet one of the following conditions:

1) there is information about an individual that owns more than fifty percent of the ownership interest in the equity capital or of the allotted (net of the preferred shares and those, repurchased by a joint stock company) shares of a legal entity or has the opportunity to vote by more than fifty percent of the shares (ownership interest in the equity capital) of the legal entity or controls such an entity;

2) there is information about the individuals who together own more than fifty percent of the ownership interest in the equity capital or the allotted shares (net of the preferred shares and those, repurchased by a joint stock company) of a legal entity or are entitled to vote by more than fifty percent of the shares (ownership interest in the equity capital) of the legal entity;

3) there is information about all shareholders (ownership interest in the equity capital) of the legal entity, owning ten or more percent of the ordinary shares (ownership interest in the equity capital) to the ultimate owners of the ordinary shares (ownership interest in the equity capital) of the legal entity;

4) is a legal entity that is controlled by the Government of the Republic of Kazakhstan, a local executive body or a foreign state, having the minimum required rating. The minimum required rating and the list of rating agencies are established by the regulatory legal act of the authorized body;

5) is an international organization that is included in the list, established by the authorized body;

6) is an organization that has the minimum required rating. The minimum required rating and a list of rating agencies shall be established by the regulatory legal act of the authorized body;

7) there is information about individual and legal entities, referred to in subparagraphs 4) - 6) of this paragraph, owing together more than fifty percent of the ownership interest in the

equity capital or the allotted shares (net of the preferred shares and those, repurchased by a joint stock company) of a legal entity or entitled to vote by more than fifty percent of the shares (ownership interest in the equity capital) of the legal entity;

8) there is information about a management company of an investment fund, as well as the individual and legal entities, referred to in subparagraphs 4), 5), 6) and 7) of this paragraph, who are the shareholders (interest-holders) of the investment fund and exercising control over the entity;

9) is a legal entity for which there is information, which may be disclosed in the order, established by the regulatory legal act of the authorized body.

2-1. The Bank may not issue bank loans to a citizen of the Republic of Kazakhstan from the date of placement of an announcement on the completion of an out-of-court bankruptcy procedure or a judicial bankruptcy procedure as prescribed by the Law of the Republic of Kazakhstan "On the restoration of solvency and bankruptcy of citizens of the Republic of Kazakhstan", nor may it accept security from such persons in the form of a pledge, guarantees and sureties under bank loan agreements for five years.

3. The requirements of paragraph 2 of this Article shall not apply to the bank loans and bank guarantees, the value of which does not exceed the amount, defined by the regulatory legal act of the authorized body.

The total amount of all bank loans and bank guarantees, referred to in paragraphs 1 and 2 of this Article shall not exceed the amount, the calculation order of which shall be determined by the regulatory legal act of the authorized body.

4. The bank shall be prohibited to transfer assets worth more than ten percent of the own equity capital of the bank as collateral or other form of encumbrance without the prior approval of this transaction by the board of directors of the bank.

A branch of a non-resident bank of the Republic of Kazakhstan shall be prohibited to transfer assets worth more than ten percent of the amount of assets of a branch of a non-resident bank of the Republic of Kazakhstan, accepted as a reserve, pledge or other form of encumbrance without prior approval of this transaction by a non-resident bank of the Republic of Kazakhstan.

**Footnote.** Chapter 1 is supplemented by Article 8-1 in accordance with the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan. dated 02.01.2021 № 399-VI (shall come into force from 16.12.2020); dated 30.12.2022 № 179-VII (shall be enforced sixty calendar days after the date of its first official publication).

## **Article 9. The ban on advertising that is untrue**

1. Banks shall be prohibited to advertise their activities that are untrue on the day of publication.



1-1. A bank or an organization carrying out certain types of banking operations, when distributing and (or) placing an advertisement containing information on the amount of remuneration for a bank loan or deposit, shall indicate the remuneration rate in a reliable, annual, effective, comparable calculation.

When distributing an advertisement containing information on the amount of remuneration for a bank loan or deposit, including its publication, the annual effective remuneration rate shall be indicated in digital terms, in the same font size and style as other remuneration rates. It is not allowed to indicate the annual effective remuneration rate in a font smaller than that used when indicating other information in this advertisement.

2. The authorized body shall be entitled to require that the bank makes changes to the advertisement that does not reflect reality, its termination or a publication of official contradiction.

In case of non-fulfillment of the requirement within the time limit, set by the authorized body, the authorized body shall be entitled to publish an announcement on discrepancy of the information, contained in the advertisement with the reality, or specify it at the expense of the bank that published such advertisement.

3. Legal entities that do not have a license from an authorized body or the National Bank of the Republic of Kazakhstan to conduct banking operations are prohibited from advertising services provided that fall under the category of banking operations.

**Footnote.** Article 9 as amended by the Laws of the Republic of Kazakhstan dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 08.07.2005 No 72 (the order of enforcement see Article 2); 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 № 262-VI (shall be enforced from 01.01.2020); dated 19.06.2024 № 97-VIII (comes into effect sixty calendar days after the date of its first official publication).

## **Article 10. Associations (unions) of banks**

1. In order to coordinate their activities, protect and represent common interests, implement joint projects and other common tasks, the banks shall be entitled to establish associations and unions of banks in accordance with the existing legislation.

2. Associations (unions) of banks shall be the non-profit organizations.

3. Associations (unions) of banks may not be used to restrict competition in the banking system, manipulation of interest rates, terms of offering loans and other banking services.

**Footnote.** Article 10 as amended by the Law of the Republic of Kazakhstan dated 11 July 1997 No 154.

## **Article 10-1. Consortia and other associations involving banks**

In order to implement joint projects on providing loans and resolving other tasks, the banks shall be entitled to establish consortia under an agreement on joint activities and participate in the activities of other consortia and associations.

Footnote. Article 10-1 is supplemented by the Law of the Republic of Kazakhstan dated 16 July, 1999 No 436.

**Article 11. Subsidiary banks, branches and representative offices and cash and settlement departments (savings banks) of the banks**

Footnote. Article 11 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).

**Article 11-1. Subsidiaries of banks and bank holding companies and significant participation of banks and bank holding companies in the capital**

1. In order to implement the powers, vested to them by Article 8 of this Law, a bank and bank holding company shall be entitled to establish or have a subsidiary only with the prior approval of the authorized body.

The requirement to obtain permission of the authorized body for establishment or acquisition of a subsidiary shall not apply to the bank holding companies, indirectly owning (having the opportunity to vote, make decisions and (or) influence the decisions made under a contract or otherwise) the shares or ownership interest in the equity capital of the organization through possession (the opportunity to vote, make decisions and (or) influence the decision making under a contract or otherwise) of the shares of a bank-resident of the Republic of Kazakhstan, which owns directly (having the opportunity to vote, make decisions and (or) influence the decisions under a contract or otherwise) the shares or ownership interest in the equity capital of this organization and having the corresponding permission of the authorized body.

The requirement to obtain permission from the authorized body for the creation or acquisition of a subsidiary shall not apply to the bank holdings specified in subparagraph 2) of paragraph 13 of Article 8 of this Law. The specified bank holdings shall be obliged to notify the authorized body of the creation or acquisition of a subsidiary within fourteen working days from the date of state registration of a legal entity in the event of the creation of a subsidiary or the acquisition of shares in the authorized capital or voting shares of a subsidiary.

Requirement on receipt of permission of an authorized body for establishment or acquisition of a subsidiary shall not apply to a bank in connection of its acquisition of control of other bank, in relation of which the restructurisation was conducted in accordance with this Law.

The procedure for issuing a permit to a bank or bank holding company to create or acquire a subsidiary is determined by the regulatory legal act of the authorized body.

2. Subsidiaries of banks shall not be entitled to create and (or) have subsidiaries, as well as have a significant participation in the capital, with the exception of the creation or participation in the capital of organizations - non-residents of the Republic of Kazakhstan, developing, implementing, supporting software used in the activities of financial organizations, including for automatization of their activities.

This restriction does not apply to the banks, which had been restructured in accordance with this Law and the control of which was acquired by another bank, as well as to the banks, carried out the operation provided by Article 61-4 of this Law, and control of which was acquired by another bank.

The following shall not be a subsidiary of the bank:

1) legal entities whose shares or ownership interests in the equity capital become the property of the bank in the event of their acceptance as collateral in accordance with the civil legislation of the Republic of Kazakhstan and the legislation of a foreign country, subject to the restrictions, specified in paragraph 7 of the Article 8 of this Law;

2) legal entities in the authorized capital of which the bank's interest shall be carried out through the ownership (opportunity to vote, make decisions and (or) influence the decisions made under a contract or otherwise) of the shares or the ownership interest in the equity capital of the subsidiary, established (purchased) under the terms, defined by Article 11-2 of this Law;

3) legal entities whose shares or ownership interest in the authorized capital are purchased by the Islamic Bank in the banking operation, specified in Article 52-9 of this Law.

3. Subsidiaries of bank holdings, with the exception of subsidiaries of resident banks of the Republic of Kazakhstan, as well as subsidiaries of bank holdings specified in subparagraph 2) of paragraph 13 of Article 8 of this Law, shall not have the right to create and (or) have any subsidiaries.

3-1. For issuance of permission to creation, acquisition of a subsidiary and (or) significant participation in the capital of the organizations a fee shall be charged, which amount and procedure of payment shall be determined by the tax legislation of the Republic of Kazakhstan.

4. The following documents must be attached to the application for obtaining permission to create, acquire a subsidiary, submitted in the form established by the regulatory legal act of the authorized body:

1) constituent documents of a subsidiary - if they are not available on the Internet resource of the financial reporting depository or if they can be received by the authorized body through the web portal of "electronic government";

2) the decision to establish a subsidiary - in case of its creation, or the decision to acquire a subsidiary - in the case of its acquisition (in the absence of information on the Internet resource of the financial reporting depository), as well as a copy of the license - in the case of carrying out a licensed type of activity;

3) information about the executives of the subsidiary (or candidates recommended for appointment or election to the positions of executives);

4) information about affiliated persons (in the absence of information on the Internet resource of the financial reporting depository).

If the bank does not have a bank holding company, additional information is provided on organizations associated with the subsidiary:

managing their activities on an integrated basis in accordance with the terms of the memorandum or the provisions of the association of these organizations;

if the composition of the executive body, management body (for joint-stock companies), supervisory board (for limited liability partnerships) of these organizations is more than one third represented by the same persons;

5) the business plan of the subsidiary, the requirements for which are determined by the regulatory legal act of the authorized body;

6) information, based on the analysis of the legislation of the country of the location of the subsidiary, on the absence of circumstances suggesting the impossibility of conducting consolidated supervision of the banking conglomerate due to the fact that the legislation of the countries of location of the participants of the banking conglomerate - non-residents of the Republic of Kazakhstan makes it impossible for them and the banking conglomerate to perform the requirements provided for by the legislative acts of the Republic of Kazakhstan;

7) excluded by the Law of the Republic of Kazakhstan dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication);

8) the financial statements of the acquired subsidiary, certified by the auditing organization, for the last completed reporting period;

9) excluded by the Law of the Republic of Kazakhstan dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication);

10) excluded by the Law of the Republic of Kazakhstan dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication);

11) data on the legal entity, through the acquisition of a participatory interest in the authorized capital or shares of which the bank and (or) the bank holding company acquires a subsidiary, including:

name and location of the legal entity;

information on the size of the share of participation of the bank and (or) the bank holding company in the authorized capital of the legal entity, the price of its acquisition, the founder (participant) of which is the bank and (or) the bank holding company;

information on the number of shares, the purchase price, their percentage to the total number of outstanding shares (minus the preferred and redeemed by the company) of the legal entity, the shareholder of which is the bank and (or) the bank holding;

information on the size of the participation interest of a legal entity (founder, participant, the shareholder of which is a bank and (or) a bank holding company), the price of its acquisition in the authorized capital of another legal entity;

information on the number of shares, the purchase price, their percentage to the total number of outstanding shares (net of preferred and redeemed shares by the company) acquired by a legal entity whose shareholder (founder, participant) is a bank and (or) a bank holding company.

These requirements apply to cases of acquisition of a subsidiary by a bank and (or) a bank holding company through the acquisition of shares in the authorized capital or shares of several legal entities;

12) excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019);

13) excluded by the Law of the Republic of Kazakhstan dated November 25, 2019 № 272 -VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication);

13-1) a document confirming payment of the fee for issuing a permit, except for cases of payment through the payment gateway of "electronic government";

14) other documents on the basis of which it is supposed to acquire control or confirming control over a subsidiary, indicating the grounds for the emergence of control.

5. A bank and (or) a bank holding company shall be entitled to establish a subsidiary organization under a condition of a break-even activity on the consolidated and unconsolidated basis upon the results of each of the last two fiscal years and compliance with the prudential standards, including on a consolidated basis, established by the authorized body, during the last three months, preceding the date of submitting an application for a permit to the authorized body.

6. The grounds for refusal in issuance of permission for creation, acquisition of a subsidiary shall be:

1) failure to eliminate the comments of the authorized body on the submitted documents;

2) non-compliance of the legislation in the field of consolidated supervision over financial organizations of the country of location of the created or acquired subsidiary with the requirements for consolidated supervision established by the legislative acts of the Republic of Kazakhstan;

3) non-compliance of the executives of a subsidiary (or candidates recommended for appointment or election to the positions of executives) with the requirements of subparagraphs 3), 4), 5) and 6) of paragraph 3 of Article 20 of this Law;

4) a banking conglomerate's failure to comply with the prudential standards, which includes a bank and (or) a bank holding company as a result of the probable presence of a subsidiary of a bank and (or) a bank holding company;

5) analysis of the financial implications, forecasting worsening of the financial condition of the bank, the bank holding company or the bank conglomerate due to the activities of the subsidiary organization or the investments, planned by the bank and (or) the bank holding company;

6) non-compliance of risk management and internal control systems, including in relation to risks associated with the activities of a subsidiary, with the requirements of the authorized body for risk management and internal control systems;

7) a subsidiary organization's failure to comply with the established prudential standards in the cases, provided for by the legislation of the country of location of the subsidiary, as well as the prudential standards by the bank and the bank holding company, including on a consolidated basis, and other mandatory standards and limits for the last three months, preceding the date of submitting an application for a permit to the authorized body, and (or) during consideration of the application;

8) Existence of the current supervisory response measures of the bank and (or) bank holding company and (or) the proposed acquisition of a subsidiary, provided for in subparagraphs 1), 2), 3), 4), 5), 6), 9), 14) and 15) of paragraph 1 of Article 46, Article 47-1 of this Law, and (or) administrative penalties for administrative infractions provided for in parts six, eight of Article 213, of Article 227 of the Code of the Republic of Kazakhstan on administrative infractions, as of the date of submission of an application and within the period of documents review;

9) in the cases of establishment or acquisition by the bank and (or) the bank holding company of a subsidiary organization - a bank, an insurance (reinsurance) company, managing the investment portfolios - residents of the Republic of Kazakhstan –the failure to comply with the requirements, provided by this Law, the legislation of the Republic of Kazakhstan on insurance and insurance activities, securities market on issuance of a consent to obtain the status of a banking or an insurance holding company, a major participant of a bank, insurance (reinsurance) company, managing the investment portfolios - residents of the Republic of Kazakhstan;

10) non-compliance by a bank, a bank holding with the requirements of this Law for the creation of subsidiaries of a bank, a bank holding, the acquisition by banks, bank holdings of shares or stakes in the equity capital of legal entities;

11) unprofitable activity of a bank and (or) a bank holding company on a consolidated and non-consolidated basis based on the results of each of the last two completed financial years preceding the date of filing an application for obtaining permission to create, acquire a subsidiary to the authorized body.

7. The authorized body is obliged to issue a permit or refuse to issue a permit within fifty working days after the submission of the application.

In case of refusal to issue a permit, the authorized body shall notify the applicant about the grounds for refusal in a written form.

An application for obtaining permission to create, acquire a subsidiary, submitted as part of obtaining permissions to open a bank or voluntary reorganization of a microfinance

organization in the form of conversion into a bank, shall be considered by the authorized body within the time limits established for consideration of applications for the issuance of these permissions.

8. Within thirty calendar days a subsidiary organization of a bank, and (or) a bank holding company shall notify the authorized body of any changes and additions, made to the constituent documents.

9. A subsidiary organization of a bank, and (or) a bank holding company - non-resident of the Republic of Kazakhstan, as well as the organization-non-resident of the Republic of Kazakhstan in which the bank and (or) the bank holding company has a substantial shareholding, shall have to disclose the necessary information to the authorized body on the basis of the relevant request in order to ensure quality and timely performance of the functions, delegated to the authorized body for a consolidated supervision. In this case, the received information shall not be disclosed.

10. In case of acquisition by the bank and (or) bank holding company of characteristics of control over other legal entity in the absence of permission of the authorized body, the authorized body shall apply to the bank and (or) the bank holding company the measures of supervisory response provided by this Law. In this case, within six months from the date of occurrence of characteristics of control or detection of the specified violation by the authorized body, the bank and (or) the banking holding company shall be obliged to alienate the shares (participation stakes in the authorized capital) belonging to them of the legal entity to the persons not related to them by special relations, and to submit confirming documents to the authorized body.

11. A significant shareholding of the bank and (or) the bank holding company in the capital of organizations shall be permitted only with the preliminary permission of the authorized body.

The requirement on obtaining the permission of the authorized body for a significant participation in the capital of the organization shall not apply to:

1) bank holding companies, indirectly possessing (having the possibility to vote, to determine decisions and (or) influence the taken decisions by virtue of a contract or otherwise ) by the shares or participation stakes in the authorized capital of this organization through ownership ( possibility to vote, to determine decisions and (or) influence the taken decisions by virtue of a contract or otherwise) by the shares of a bank-resident of the Republic of Kazakhstan that directly possessing (having the possibility to vote, determine decisions and (or) influence the taken decisions by virtue of a contract or otherwise) by the shares or participation stakes in the authorized capital of the specified organization and having the appropriate permission of the authorized body;

2) banks, in case of participation in the authorized capital of legal entities through ownership (the possibility to vote, determine decisions and (or) to influence the taken decisions by virtue of a contract or otherwise) by the shares or participation stakes in the



authorized capital of a subsidiary created (acquired) on the terms determined in Article 11-2 of this Law;

3) banks in case of transfer to their ownership of shares or participation stakes in the authorized capital of legal entities accepted by the bank as collateral in accordance with the civil legislation of the Republic of Kazakhstan and the legislation of a foreign state, subject to the restrictions established by paragraph 7 of Article 8 of this Law.

Permission of the authorized body for a significant shareholding in the capital of organizations shall not be required for Islamic bank if it purchases the shares (ownership interest in the authorized capital) while financing the production and trading activities through a shareholding in the authorized capital of legal entities and (or) on a partnership basis.

The issuance of a permit to a bank or bank holding company for a significant participation in the capital of organizations shall be carried out in the manner determined by the regulatory legal act of the authorized body.

In case of acquisition by the bank and (or) the bank holding company of a significant participation in the capital of the organization without the prior consent of the authorized body, the authorized body shall apply to the bank and (or) the bank holding company the supervisory response measures provided by this Law. In this case, the bank and (or) the bank holding company must alienate their shares (participation stakes in the authorized capital) of the organization in the capital of which they have a significant participation, to the persons not related to the bank and (or) the bank holding company by special relations, and to submit confirming documents to the authorized body within six months. eholding, to the persons, who are not bounded with the bank and (or) the bank holding company by a special relationship, and submit the supporting documents to the authorized body within six months.

12. An application for obtaining a permit for significant participation in the capital of organizations in the form established by the regulatory legal act of the authorized body is submitted with the attachment of documents provided for in subparagraphs 2), 3), 5), 6) and 11) of paragraph 4 of this article, as well as a document confirming the payment of the fee for issuing a permit for significant participation in the capital of organizations, except for cases of payment through the payment gateway of "electronic government".

Refusal to issue a permit for a significant shareholding in the capital of organizations shall be based on the grounds, provided for in paragraph 6 of this Article.

13. The authorized body shall revoke the permission to create, acquire a subsidiary, significant participation in the capital of the organization in cases of:

1) identifying false information on the basis of which the permission was issued;

2) identifying inconsistency of the activities of the subsidiary of the bank and (or) bank holding company, as well as the organization in which the bank and (or) bank holding company have a significant participation in the capital, with the requirements of paragraph 3 of Article 8 of this Law.

When revoking a permission for the creation, acquisition of a subsidiary, a significant participation in the capital of an organization, the authorized body shall make a decision on cancellation of the previously issued permission within two months from the date of discovery of the fact that is the basis for revoking the permission.

13-1. The authorized body shall make a decision on cancellation of the previously issued permission for the creation, acquisition of a subsidiary, significant participation in the capital of the organization in cases of:

1) withdrawal of permission to create, acquire a subsidiary, significant participation in the capital of the organization;

2) termination of activities of a subsidiary of a bank and (or) a bank holding company, organizations in which the bank and (or) bank holding company have a significant participation in the capital, through reorganization (in the form of a merger, accession) or liquidation;

3) the absence of the bank and (or) bank holding signs of control over the subsidiary;

4) the absence of the bank and (or) bank holding signs of significant participation in the capital of the organization;

5) cancellation of the consent issued by the authorized body for the acquisition of the status of a bank holding company in accordance with part three of paragraph 18 of Article 17-1 of this Law.

The issued permission of the authorized body for the creation, acquisition of a subsidiary, significant participation in the capital of the organization shall be considered canceled from the day following the day the authorized body receives an application from a bank, a bank holding company with supporting documents on the cancellation of a previously issued permission on the grounds provided for in subparagraphs 2), 3 ) and 4) part one of this paragraph, or after the day when the authorized body discovers the facts that are the basis for the cancellation of the issued permission.

In the case provided for by subparagraph 5) of part one of this paragraph, the previously issued permission of the authorized body for the creation, acquisition of a subsidiary, significant participation in the capital of the organization shall be considered canceled from the date of cancellation of the issued consent of the authorized body for the acquisition of the status of a bank holding company.

13-2. In the event of revocation of a permit for the creation, acquisition of a subsidiary, a significant participation in the capital of an organization on the grounds specified in part one of paragraph 13 of this article, the bank and (or) bank holding company shall be obliged, within six months from the date of revocation of such permission, to alienate their shares ( interest in the equity capital) of these organizations to persons not related to this bank or bank holding by special relations, and to submit supporting documents to the authorized body.

The procedure for revocation and (or) cancellation of a permit for the creation, acquisition of a subsidiary, significant participation in the capital of organizations shall be established by a regulatory legal act of the authorized body.

14. The requirements of this Article shall not apply to:

1) the cases of establishment (acquisition) of a subsidiary by the bank under the conditions, specified in Article 11-2 of this Law;

2) non-residents of the Republic of Kazakhstan that are the subsidiaries or the affiliated organizations of non-residents of the Republic of Kazakhstan, that are a bank holding company, a legal entity with the characteristics of a bank holding company, as well as non-residents of the Republic of Kazakhstan that are a bank holding company, a legal entity with the characteristics of a bank holding company, when they establish or purchase the subsidiaries and the affiliates-non-residents of the Republic of Kazakhstan with one of the following conditions fulfilled:

when a bank holding company, a legal entity with the sings of a bank holding company has an individual credit rating not lower than A rating of one of the rating agencies, the list of which shall be established by the authorized body, as well as a written confirmation from the Financial Supervisory Authority of the country of origin of these entities that they are subject to the consolidated supervision;

existence of an agreement on information exchange between the authorized body and the relevant supervisory body of a foreign state, as well as the minimum required rating of one of the rating agencies. Minimum rating and the list of the rating agencies are established by the regulatory legal act of the authorized body.

3) cases of acquisition by the bank of shares of another bank or shares and participation stakes in the authorized capital of legal entities belonging to another bank, during their reorganization in the form of accession in the manner determined by the legislation of the Republic of Kazakhstan.

15. If a bank holding company creates or acquires a subsidiary financial organization or acquires a significant participation in the capital of a financial organization, in respect of which obtaining of the appropriate permits for participation in the capital is provided by the legislation of the Republic of Kazakhstan, the permission for creation or acquisition of a subsidiary and (or) a significant participation in the capital shall be issued by the authorized body to the bank holding company simultaneously with the issuance of the relevant document granting the right to own, use and (or) dispose the shares of a financial organization in the amounts, established by the legislation of the Republic of Kazakhstan, without submission of relevant documents provided by this Article, except for a document confirming the payment of a fee for the issuance of a permit.

The requirements of part one of this paragraph shall apply to the persons wishing to acquire the status of a bank holding company.

16. If the acquisition by the bank of a subsidiary or a significant participation in the capital of the organization occurred as a result of transfer to its property of accepted by the bank as collateral of the shares or participation stakes in the authorized capitals of the organizations, specified in subparagraph 1) of paragraph 3 of Article 8 of this Law, the bank shall be obliged to obtain permission from the authorized body for creation or acquisition of a subsidiary or a significant participation in the capital of the organizations within the term, established by the authorized body in the framework of application of the supervisory response measure to the bank.

Footnote. Article 11-1 is in the wording by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Laws of the Republic of Kazakhstan dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.12.2012 No 60 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 26.12.2012 No 61 -V (shall be enforced from 04.02.2012); dated 21.06.2013 No 106 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 19.03.2014 No 179 -V (shall be enforced from the date after its first official publication); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 25.12.2017 № 122-VI (shall be enforced from 01.01.2018); dated 02.07.2018 № 168-VI (the enforcement see article 2); dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication); dated 03.07.2020 № 359-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

Article 11-2. Subsidiaries of banks acquiring dubious and hopeless assets of the parent bank, and the organization acquiring dubious and hopeless assets, the members of which are the bank and the organization specializing in improving the quality of loan portfolios of second-tier banks

Footnote. Title of Article 11-2 is in the wording of the Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016).

1. In order to implement the powers, vested by Article 8 of this Law, the bank shall have the right to establish or acquire a subsidiary, purchasing doubtful and loss assets of the parent bank, only if a preliminary permission of the authorized body is provided.

The procedure for issuing a permit for the creation or acquisition by a bank of a subsidiary that acquires doubtful and hopeless assets of the parent bank is determined by the regulatory legal act of the authorized body.

1-1. The bank shall have the right to create (acquire) an organization acquiring dubious and hopeless assets, together with an organization specializing in improving the quality of loan portfolios of second-tier banks.

If as a result of creation or acquisition of the organization specified in part one of this paragraph, the bank shall have a significant participation in the capital of this organization, this participation shall be allowed only with the prior permission of the authorized body.

The property specified in the civil legislation of the Republic of Kazakhstan, as well as dubious and hopeless assets of banks and (or) the rights of claim on dubious and hopeless assets of the bank acquired by the organization specializing in improving the quality of loan portfolios of second-tier banks may be a contribution to the authorized capital of the organization, specified in part one of this paragraph, created in the organizational-legal form of a limited liability partnership.

The organization, specified in part one of this paragraph, shall be obliged to transfer money received from its activities to its members (shareholders) in the manner and amount provided by the action plan on improvement the quality of dubious and hopeless assets, approved by the general meeting of participants (shareholders) of this organization, with the exception of money aimed at payment of expenses, related to carrying out types of activities, provided by paragraph 4 of this Article.

2. A subsidiary organization, purchasing the doubtful and loss assets of the parent bank shall be obliged to transfer the money, received from its activities to the parent bank, with the exception of the money, allocated for payment of costs, associated with the activities, provided for by paragraph 4 of this Article.

3. The operating procedures of the subsidiary, acquiring doubtful and loss assets of the parent bank, the time limit within which the subsidiary manages the purchased doubtful and loss assets, as well as the requirements to the acquired (purchased) doubtful and bad assets, shall be established by the regulatory legal act of the authorized body.

4. A subsidiary of the bank acquiring dubious and hopeless assets of the parent bank, as well as an organization acquiring dubious and hopeless assets, the participants of which are the bank and an organization specializing in improving the quality of loan portfolios of second-tier banks, shall have the right to:

- 1) acquire and sell dubious and hopeless assets of the bank;
- 2) acquire and sell movable and immovable property and (or) the right of ownership to the objects of unfinished construction, which became the property of the bank as a result of levy on the pledged property on the acquired dubious and hopeless rights of claim;
- 3) acquire and sell shares and (or) participation stakes in the authorized capital of legal entities in cases of their acceptance as collateral (compensation or security) for the acquired dubious and hopeless rights of claim or transfer to the ownership of the parent bank as a result of levy on the pledged property;

4) lease the property transferred to its ownership as a result of levy on the property that acted as a collateral, other security or received in the form of compensation for dubious and hopeless rights of claims acquired from the bank, as well as specified in subparagraph 2) of this paragraph, or use another form of paid temporary use of such property;

5) carry out other types of activity in order to improve the quality of the acquired dubious and hopeless rights of claim or other assets established by the regulatory legal act of the authorized body.

4-1. A subsidiary of a bank acquiring doubtful and loss assets of a parent bank shall be entitled to act as a service company under an agreement on trust management of rights (claims).

A subsidiary of a bank acquiring doubtful and loss assets of the parent bank shall register in the register of agreements all agreements of trust management of rights (claims) and keep records of accepted and other documents, the transfer of which is provided for by the agreement of trust management of rights (claims).

Within the framework of an agreement on trust management of rights (claims), a bank's subsidiary acquiring doubtful and loss assets of the parent bank shall be entitled to:

by agreement of the parties, change the terms of a bank loan agreement or an agreement on the provision of a microcredit within the framework of the powers granted by the person with whom the trust management agreement of the rights (claims), powers has been concluded. Changing the terms of the bank loan agreement and (or) the agreement on the provision of microcredit unilaterally shall be allowed in cases of their improvement for the borrower in accordance with part two of paragraph 3 of Article 34 of this Law and part two of paragraph 6 of Article 3 of the Law of the Republic of Kazakhstan “On microfinance activity”;

represent the interests of the person with whom the contract of trust management of rights (claims) has been concluded in court, including in the process of collecting debts and (or) foreclosing the subject of pledge;

accept from the debtor in the interests of the person with whom the contract of trust management of rights (claims) is concluded, money in non-cash form and (or) other property to pay off the debt with the subsequent transfer of such money and (or) such property in his favor;

use the services of appraisers, auditors, lawyers and other consultants;

exercise other rights stipulated by the contract of trust management of rights (requirements).

The remuneration of the subsidiary of the bank acquiring doubtful and loss assets of the parent bank acting as a service company, as well as the costs associated with trust management, shall be paid (reimbursed) in accordance with the terms of the trust management agreement of rights (claims) by the person who acquired the rights (claims) under bank loan agreements and (or) microcredit agreements.

The Borrower and (or) his representative shall be entitled to:

- 1) receive from the person who has entered into an agreement on trust management of rights (claims) information about the subsidiary of the bank that acquires acquiring doubtful and loss assets of the parent bank, its location, the availability of personal data of the borrower, the amount and structure of the debt;

- 2) apply to a subsidiary of the bank acquiring doubtful and loss assets of the parent bank, which carries out trust management in accordance with the agreement on trust management of rights (claims), with an application to change the terms of the bank loan agreement and (or) the microcredit agreement related to the fulfillment of obligations under the specified contract , with justification of the reasons for such treatment.

4-2. A subsidiary of a bank acquiring doubtful and loss assets of a parent bank interacts with borrowers under an agreement on trust management of rights (claims) subject to the requirements stipulated in paragraphs 1, 2, 4, subparagraphs 1), 3), 4), 5), 6) and 9) of paragraph 5 and paragraph 6 of Article 5 of the Law of the Republic of Kazakhstan “On collection activity”, and shall be obliged to comply, under the agreement on trust management of rights (claims), with the requirements and restrictions imposed by the legislation of the Republic of Kazakhstan on the relationship between the creditor and the debtor under the bank loan agreement and (or) the microcredit agreement.

The subsidiary of the bank, acquiring doubtful and loss assets of the parent bank, in the event of a decision on the voluntary termination of its activities or a court decision on the termination of the activities of the subsidiary of the bank, acquiring doubtful and loss assets of the parent bank, shall be obliged:

- 1) within thirty calendar days after the adoption of the above decision:

transfer to the person to whom the rights (claims) have been assigned under the bank loan agreement and (or) the microcredit agreement, or, at his direction, to the service company with which such person has concluded a new contract for the trust management of rights (claims), all information and documents on the rights (claims) under bank loan agreements and (or) microcredit agreements transferred to a bank subsidiary acquiring doubtful and loss assets of the parent bank, on the basis of an agreement on trust management of rights (claims) as of the date of the decision on the voluntary termination of its activities or adoption by the court decisions to terminate its activities;

terminate all concluded contracts of trust management of rights (claims).

A person to whom rights (claims) have been assigned under a bank loan agreement and (or) a microcredit agreement, or a service company with which such a person has concluded a new agreement on trust management of rights (claims), shall be obliged to ensure the receipt of information and documents in the case provided for in paragraph second of subparagraph 1) of the second part of this paragraph;

- 2) within five calendar days from the date of the adoption of the above decision to notify thereof:



the persons with whom contracts of trust management of rights (claims) are concluded, in the ways provided for by the contract of trust management of rights (claims));

debtors, rights (claims) under bank loan agreements or microcredit agreements to which they were transferred on the basis of agreements for trust management of rights (claims), in one of the following ways:

by telephone conversations from the telephone numbers of the bank's subsidiary, acquiring doubtful and loss assets of the parent bank, for contacts with debtors;

through personal meetings;

by written (postal) notifications sent to the debtor - an individual at the place of residence (legal address), the debtor - a legal entity at the location (actual address);

by text, voice and other messages via cellular communication;

via the Internet.

5. The application for obtaining permission to create, acquire a subsidiary that acquires doubtful and hopeless assets of the parent bank, submitted in the form established by the regulatory legal act of the authorized body, is accompanied by the documents and information provided for in subparagraphs 1), 2), 3), 4), 11), 13-1) and 14) of paragraph 4 of Article 11-1 of this Law, as well as:

1) is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication);

2) the financial statements of the subsidiary organization for the last completed quarter before submission of the relevant application - in the case of acquisition of the subsidiary;

3) a business plan and an action plan to improve the quality of the doubtful and loss assets, the requirements for which are determined by the regulatory legal act of the authorized body

5-1. The application for obtaining a permit for significant participation in the capital of an organization acquiring doubtful and bad assets, created (acquired) in conjunction with an organization specializing in improving the quality of loan portfolios of second-tier banks, shall be accompanied by the documents and information provided for in subparagraphs 2), 3) and 11) paragraph 4 of Article 11-1 of this Law and in subparagraphs 2) and 3) of paragraph 5 of this Article, as well as a document confirming the payment of the fee for issuing a permit for significant participation in the capital of organizations, except for cases of payment through the payment gateway of "electronic government".

Refusal to issue the permission for significant participation in the capital of the organization acquiring dubious and hopeless assets, created (acquired) together with the organization specializing in improving the quality of loan portfolios of second-tier banks shall be made on the grounds provided by paragraph 6 of this Article.

6. The grounds for refusal to issue a permit for establishment, acquisition of the subsidiary organization, purchasing the doubtful and loss assets of the parent bank shall be:

1) the grounds, specified in subparagraphs 1), 3) and 4) of paragraph 6 of Article 11-1 of this Law;

2) non-compliance of the doubtful and loss assets, transferred to the subsidiary organization, with the requirements of paragraph 4 of this Article and (or) the requirements of the regulatory legal act of the authorized body.

7. Subsidiaries of banks, acquiring dubious and hopeless assets of the parent bank, as well as the organization acquiring dubious and hopeless assets, the members of which are the bank and the organization specializing in improving the quality of loan portfolios of second tier banks, for the assigned rights of claim by the banks under the bank loan contracts, shall be recognized as creditors (lenders) on a banking loan operation and shall have all the rights and liabilities of the bank, established by the bank loan contract, rights of claim under which were assigned in favour of the organization by the bank.

8. Is excluded by the Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V ( shall be enforced from 01.01.2016

9. Is excluded by the Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V ( shall be enforced from 01.01.2016).

Footnote. Chapter 1 is supplemented by Article 11-2 in accordance with the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced from 01.01.2011); as amended by the laws of the Republic of Kazakhstan dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 25.12.2017 № 122-VI (shall be enforced from 01.01.2018); dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication); dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication); dated 04.07.2022 № 133-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

## **Chapter 2. Establishment of a bank and banking activities**

Footnote. Chapter 2 the amendments were made, dated 8 July 2005 No 72 (the order of enforcement see Article 2).

### **Article 12. The legal structure of banks**

Footnote. Article 12 is excluded by the Law of Republic of Kazakhstan dated 10.07.2003 № 483 (shall be enforced from 01.01.2004).

### **Article 13. Permission of the authorized body for opening of a bank**

1. The procedure for issuing permission to open a bank shall be determined by the banking legislation of the Republic of Kazakhstan.

The procedure for issuing a permit for voluntary reorganization of a microfinance organization in the form of conversion into a bank shall be determined by the legislation of the Republic of Kazakhstan on microfinance activities.

2. A permission to open a bank shall have legal force until the authorized body makes a decision on issuance of a license to the bank to conduct banking operations.

3. The issued permission to open a bank is considered canceled in the following cases:

1) the bank makes a decision on the voluntary termination of its activities through reorganization or liquidation;

2) the court makes a decision to terminate the bank's activities;

3) failure of the Corporation to register a legal entity as a bank within two months from the date of issuance of a permit to open a bank;

4) failure to obtain a license to conduct banking or other operations within one year from the date of issuance of permission to open a bank.

In the case provided for in subparagraph 3) of the first part of this paragraph, previously issued permits for the creation or acquisition of a subsidiary, significant participation in the capital of organizations and consent to acquire the status of a major participant in a bank, bank holding company are considered canceled.

4. A bank shall have the right to voluntarily return of the permit to open a bank and re-registering in accordance with the legislation.

**Footnote.** Article 13 is in the wording by the Law of the Republic of Kazakhstan dated 11 July 1997 No 154; as amended by the Laws of the Republic of Kazakhstan dated 10.07.2003 No 483 (shall be enforced from 1 January 2004); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

#### **Article 13-1. Opening of a branch of a non-resident bank of the Republic of Kazakhstan**

1. A non-resident bank of the Republic of Kazakhstan shall have the right to apply to the authorized body to obtain permission to open a branch in the territory of the Republic of Kazakhstan, subject to the following conditions:

1) the total assets of a non-resident bank of the Republic of Kazakhstan shall not be less than the equivalent of twenty billion US dollars;

2) the state of which the non-resident bank of the Republic of Kazakhstan is a resident is a participant in international cooperation in the field of preventing and combating the legalization (laundering) of proceeds from crime and the financing of terrorism, and also cooperates with the Financial Action Task Force on Money Laundering (FATF);

3) availability of an agreement between the authorized body and the financial supervision authority of the state, the resident of which is the non-resident bank of the Republic of Kazakhstan.

The agreement between the authorized body and the financial supervisory authority of the state, the resident of which is the non-resident bank of the Republic of Kazakhstan, must contain the procedure for the exchange of confidential information constituting a trade secret in the securities market, banking secrecy, insurance secrecy or other secret protected by law,

the procedure for cooperation on the issues of opening of a branch of a non-resident bank of the Republic of Kazakhstan, licensing, approval of executives, regulation, control and supervision (including conducting audits of activities) and termination of activities of a non-resident bank of the Republic of Kazakhstan and its branch, as well as other issues of interaction for the purposes of exercising control and supervisory functions;

4) availability of a written notice from the financial supervisory body of the state, of which the non-resident bank of the Republic of Kazakhstan is a resident, that it has no objection to the opening of a branch of a non-resident bank of the Republic of Kazakhstan in the territory of the Republic of Kazakhstan or a statement by the financial supervisory body of the said state that according to the laws of the state of which the non-resident bank of the Republic of Kazakhstan is a resident, such permission is not required;

5) availability of a written confirmation of the financial supervisory authority of the state, of which the non-resident bank of the Republic of Kazakhstan is a resident, that the non-resident bank of the Republic of Kazakhstan has a valid license to carry out banking activities.

2. An application for issuing a permit to open a branch of a non-resident bank of the Republic of Kazakhstan in Kazakh or Russian shall be submitted in the form established by the regulatory legal act of the authorized body, attached with the following documents:

1) a decision of a non-resident bank of the Republic of Kazakhstan on opening of a branch in the territory of the Republic of Kazakhstan;

2) a draft regulation on the branch of a non-resident bank of the Republic of Kazakhstan;

3) copies of constituent documents of a non-resident bank of the Republic of Kazakhstan (notarized in case of failure to submit originals for verification);

4) information about the non-resident bank of the Republic of Kazakhstan in the form determined by the authorized body, including financial statements for the last two completed financial years (including consolidated if available), certified by an audit organization;

5) organizational structure of a branch of a non-resident bank of the Republic of Kazakhstan and information about the affiliates of a non-resident bank of the Republic of Kazakhstan;

6) a business plan of a branch of a non-resident bank of the Republic of Kazakhstan, approved by the official of a non-resident bank of the Republic of Kazakhstan or by a person authorized by a non-resident bank of the Republic of Kazakhstan to sign documents. The requirements to the content of the business plan shall be established by the authorized body, including the disclosure of the strategy of activity, directions and scope of activity, financial prospects (budget, statement of assets and liabilities, income statement and expenses for the first three financial (operational) years, marketing plan (customer formation of a branch of a non-resident bank of the Republic of Kazakhstan), plan to attract labor resources, organization of risk management;

7) excluded by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication);

8) a document certifying that of a non-resident bank of the Republic of Kazakhstan has the minimum required rating of one of the rating agencies, the list of which is established by the regulatory legal act of the authorized body, on the day of submission of the application;

9) a written notification from the financial supervisory authority of the state, of which is the non-resident bank of the Republic of Kazakhstan, about the absence of objections to the opening of a branch of a non-resident bank of the Republic of Kazakhstan in the territory of the Republic of Kazakhstan, or a statement that according to the laws of the state of which the non-resident bank of the Republic of Kazakhstan is a resident, such a permit is not required;

10) a written confirmation of the financial supervisory authority of the state, of which the non-resident bank of the Republic of Kazakhstan is a resident, that of a non-resident bank of the Republic of Kazakhstan has a valid license to carry out banking activities;

11) a written confirmation of the financial supervisory body of the state, of which the non-resident bank of the Republic of Kazakhstan is a resident, that of a non-resident bank of the Republic of Kazakhstan has no violations of prudential standards and other mandatory norms and limits established by the legislation of the state, by a resident which is a non-resident bank of the Republic of Kazakhstan, within two years preceding the submission of the application;

12) a written obligation of a non-resident bank of the Republic of Kazakhstan on the unconditional and immediate fulfillment by this non-resident bank of the Republic of Kazakhstan of obligations related to the activities of its branch operating in the territory of the Republic of Kazakhstan, in cases of non-fulfillment and (or) improper fulfillment by the affiliate;

13) excluded by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication);

14) a copy of the valid license of a non-resident bank of the Republic of Kazakhstan, issued by the financial supervisory authority of the state in which the non-resident bank of the Republic of Kazakhstan is a resident;

15) documents provided for by Article 6-2 of the Law of the Republic of Kazakhstan "On State Registration of Legal Entities and Record Registration of Branches and Representatives".

The authorized body shall be entitled to demand additional information or documents necessary for making the decision on issuance of a permission to to open a branch of a non-resident bank of the Republic of Kazakhstan.

An application for issuing permission to open a branch of a non-resident bank of the Republic of Kazakhstan may be withdrawn by a non-resident bank of the Republic of Kazakhstan at any time of its consideration by the authorized body.

The procedure for issuing a permission to open a branch of a non-resident bank of the Republic of Kazakhstan shall be determined by the regulatory legal act of the authorized body

3. Refusal to issue the permission to open a branch of a non-resident bank of the Republic of Kazakhstan shall be made according to any of the following grounds:

- 1) failure to meet the requirements, established by paragraph 1 of this Article;
- 2) failure to meet the requirements, established by subparagraphs 8) and 11) of part one of paragraph 2 of this Article;

3) business plan and other submitted documents do not demonstrate that:

after the first three financial (operational) years, the activities of a branch of a non-resident bank of the Republic of Kazakhstan will be profitable;

the branch of a non-resident bank of the Republic of Kazakhstan intends to comply with risk management requirements and establish an appropriate governance structure;

the branch of a non-resident bank of the Republic of Kazakhstan has an organizational structure corresponding to its activity plans;

the branch of a non-resident bank of the Republic of Kazakhstan has an accounting and control structure corresponding to its activity plans;

4) inconsistency of the name of a branch of a non-resident bank of the Republic of Kazakhstan with the requirements of paragraph 2 of Article 4-1 of this Law;

5) failure to eliminate the comments of the authorized body on the submitted documents within the time period set by it.

The authorized body shall notify the non-resident bank of the Republic of Kazakhstan in writing about the grounds for refusal.

4. The issued permission to open of a branch of a non-resident bank of the Republic of Kazakhstan shall be considered canceled in cases:

1) making decision on voluntary termination of activities of a branch of a non-resident bank of the Republic of Kazakhstan by a non-resident bank of the Republic of Kazakhstan;

2) making a decision by the authorized body on revocation of a license for conducting banking and other operations of a branch of a non-resident bank of the Republic of Kazakhstan;

3) failure to pass record registration within two months from the date of issuance of a permission to open a branch of a non-resident bank of the Republic of Kazakhstan;

4) failure to obtain a license to conduct banking and other operations within one year from the date of issuance of permission to open a branch of a bank - non-resident of the Republic of Kazakhstan.

5. An application for issuing a permission to open a branch of a non-resident bank of the Republic of Kazakhstan shall be considered by the authorized body within sixty-five working days from the date of submission of the application.



Notification of issuance of permission to open of a branch of a non-resident bank of the Republic of Kazakhstan shall be sent to the non-resident bank of the Republic of Kazakhstan and to the Corporation.

The authorized body shall keep records of the issued permissions for opening of a branch of a non-resident bank of the Republic of Kazakhstan.

A permission for opening of a branch of a non-resident bank of the Republic of Kazakhstan shall have legal force until the authorized body makes a decision to issue a license to the branch of a non-resident bank of the Republic of Kazakhstan to conduct banking and other operations.

6. The record registration of a branch of a non-resident bank of the Republic of Kazakhstan shall be carried out by the Corporation based on the permission of the authorized body for opening of a branch of a non-resident bank of the Republic of Kazakhstan.

**Footnote.** Chapter 2 is added with Article 13-1 in accordance with the Law of the Republic of Kazakhstan dated 02.01.2021 № 399-VI (shall come into force from 16.12.2020); amended by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

#### **Article 14. Constituent documents of a bank**

1. A bank shall be established in the order, specified by the civil legislation of the Republic of Kazakhstan for legal entities, taking into account the specifications, established by the banking legislation of the Republic of Kazakhstan.

2. In addition to the information, defined by the acting legislation, the constituent documents on establishment of a bank shall contain:

the information about the founders, including the full name and address of each of them, as well as the data on their state registration (for legal entities), name, nationality, place of residence, and the data of the identification document (for individuals);

the information on the number, categories and the offering price of the shares.

3. In addition to the information, specified by the current legislation, the bank's charter shall contain:

full and abbreviated name of the bank;

information on the types and the order of use of funds of the bank;

the procedure for taking decisions by the bank.

the information, provided for by Article 52-4 of this Law (for the Islamic Bank).

**Footnote.** Article 14 as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 16.07.1999 No 436; dated 16.05.2003 No 416; dated 12.02.2009 No 133 -IV (the order of enforcement See Art. 2); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016).

#### **Article 15. The legal structure and the name of a bank**

1. Banks shall be established in the form of joint stock companies.

1-1. The bank shall use the name, specified in its charter, as its name.

The name of the bank shall contain the word "bank" or its derivative word.

2. All banks, except for the National Bank of the Republic of Kazakhstan, are prohibited from using the words "national", "central" in their names in full or in abbreviated form in any language.

3. All banks shall be prohibited to use the word "state" in its name in full or abbreviated form in any language.

3-1. The name of an Islamic bank shall contain the phrase "Islamic bank".

4. It shall be prohibited to use the names that are identical or similar and may be mixed with the name of the previously established banks, including the banks - non-residents of the Republic of Kazakhstan, except for the subsidiary banks.

Subsidiary banks shall use the name of the parent banks in their name.

The requirement, provided by part two of this paragraph shall not apply to the subsidiaries, which have been restructured in accordance with this Law, as well as to the subsidiaries which carried out an operation provided by Article 61-4 of this Law.

**Footnote. Article 15 as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 16.07.1999 No 436; dated 02.03.2001 No 162 (see Art. 2); dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 12.02.2009 No 133 -IV (the order of enforcement see Art. 2); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 27.04.2015 № 311-V (shall be enforced from 01.06.2014); dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).**

## **Article 16. The authorized and equity capital of a bank**

1. The authorized capital of the bank shall be formed in the national currency of the Republic of Kazakhstan through the placement of shares, except for the cases established by paragraph 2 of this Article.

2. The bank's shares while allocation shall be paid exclusively in cash. This requirement shall not apply to the banks in the following cases:

1) offering of the bank's shares to the creditors of the bank and their payment through the offset of any rights (claims) on a monetary obligation of the bank to the appropriate creditor, during the restructuring, in the cases, provided for in this Law and other Laws of the Republic of Kazakhstan;

1-1) conversion of securities and other monetary obligations of the bank into ordinary shares of the bank in case of application of measures on settlement of an insolvent bank on the basis and in the manner provided by Article 61-10 of this Law;

2) conversion of securities into shares of the bank on the basis of the prospectus of equity securities issue, convertible into the shares of the bank;

2-1) exchange of placed shares of the bank of one type for the shares of this bank of another type on the basis of the charter of the bank and its prospectus for the issue of shares;



3) payment of the bank's shares during the reorganization, conducted in the order, established by the Law of the Republic of Kazakhstan "On Joint Stock Companies".

When allotting the shares the assessment shall not be required in the cases, provided for in this paragraph;

4) payment of shares of the bank by state securities of the Republic of Kazakhstan in the case provided by Article 17-2 of this Law.

3. In case of converting the securities into shares of the bank within the procedure of its restructuring and (or) as part of application of measures on settlement of an insolvent bank in the manner provided by Article 61-10 of this Law, the right of preemptive purchase shall not be granted to the shareholders of the bank upon placement of its shares through converting securities and (or) monetary obligations of the bank into its shares.

3-1. The bank shall have the right to issue preferred shares, the prospectus of which provides the right of the executive body of the bank not to accrue dividends on the preferred shares in case, if the accrual of dividends on shares reduces the prudential standards below the values, established by the regulatory legal act of the authorized body.

3-2. A bank, for whose financial stability and (or) recovery the funds of the state budget, the National Fund of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan and (or) its subsidiaries are used, in the period starting from the decision to provide funds from the state budget, the National Fund of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan and (or) its subsidiaries and until the bank fully meets its obligations on returning the funds received, shall distribute profits, accrue dividends on ordinary and (or) preferred shares and (or perpetual) financial instruments, and also repurchase its own shares subject to the conditions stipulated by the regulatory legal act of the authorized body.

4. The minimum amount of the authorized capital of a newly created bank must be paid by its founders in full within thirty calendar days after the state registration of the bank.

The minimum amount of the authorized capital of the bank created through voluntary reorganization of a microfinance organization in the form of conversion into a bank is formed at the expense of the authorized capital of the microfinance organization, taking into account compliance with the requirements of part one of paragraph 1 of Article 42 of this Law before applying for a license to conduct banking and other operations.

5. The method of calculation of equity capital and investments of the bank shall be defined by the authorized body.

If the amount of the bank's liabilities exceeds its assets, the bank's equity capital shall be negative.

6. When establishing a negative amount of own capital of the bank, the authorized body shall have the right to decide on compulsory redemption of shares of its shareholders and to

immediately sell them to a new investor at the purchase price, on conditions guaranteeing an increase in the bank's capital and its normal functioning, taking into account the obligations undertaken by the investor.

Compulsory acquisition of the bank's shares by the authorized body shall be made at the price, determined by the value of the bank assets net of its liabilities as of the date of the decision making on compulsory redemption of the shares (the shares of the shareholders ) of the bank for their subsequent sale to a new investor. Selling of the repurchased shares of the bank shall be carried out by the authorized body immediately at their purchase price. Rights and obligations of owners of all compulsorily repurchased shares shall be transferred to the new investor.

In case of maturation of obligations for which the claims may be filed to the bank, but which were not filed before a decision making on compulsory redemption of the bank's shares, such claims are deemed satisfied, except for the claims on deposits of individual and legal entities.

The order of compulsory repurchase of the shares of the bank and their mandatory subsequent sale to the investors shall be established by the authorized body.

**Footnote. Article 16 as amended by the Law of the Republic of Kazakhstan dated 30.12.2009 No 234 -IV; as amended by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 12.07.2022 № 138-VII ( shall be enforced sixty calendar days after the date of its first official publication); dated 30.12.2022 № 177-VII (shall be enforced from the date of its first official publication).**

#### Article 16-1. Subordinated debt

The conditions for assigning an unsecured obligation to the subordinated debt shall be simultaneous existence of the following conditions:

1) the term for which the unsecured obligation is issued or received shall be not less than five years;

2) the creditors may not file a claim for early repayment or performance of an unsecured obligation;

3) an unsecured obligation may be prematurely repaid or performed at the initiative of the bank, provided that this does not lead to a decrease in prudential standards below the values established by the regulatory legal act of the authorized body;

4) in case of liquidation of the bank, the unsecured obligation shall be satisfied in the tenth priority determined by Article 74-2 of this Law.

**Footnote. Chapter 2 is supplemented by Article 16-1 in accordance with the Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); as**

amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

#### Article 16-2. Perpetual financial instruments

The conditions for classifying an unsecured obligation as perpetual financial instruments shall be the simultaneous existence of the following conditions:

- 1) the term for which the unsecured obligation is issued or received shall be not less than fifty years;
- 2) the creditors may not file a claim for early repayment or performance of an unsecured obligation;
- 3) an unsecured obligation may be prematurely repaid or performed at the initiative of the bank, provided that this does not lead to a decrease in prudential standards below the values established by the regulatory legal act of the authorized body;
- 4) in case of liquidation of the bank, the unsecured obligation shall be satisfied in the tenth priority determined by Article 74-2 of this Law after the subordinated debt claims.

**Footnote. It is supplemented by Article 16-2 in accordance with the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).**

#### **Article 16-3. Peculiarities of issue and (or) placement of equity securities by the bank on the territory of a foreign state**

1. A bank-resident of the Republic of Kazakhstan shall have the right to place equity securities on the territory of a foreign state subject to the condition established by paragraph 1 of Article 22-1 of the Law of the Republic of Kazakhstan "On the Securities Market".

2. When issuing and (or) placing debt securities on the territory of a foreign state, the bank – resident of the Republic of Kazakhstan the conditions of issuance of which provide granting a guarantee of the bank – resident of the Republic of Kazakhstan, in addition to the condition specified in paragraph 1 of Article 22-1 of the Law of the Republic of Kazakhstan "On the Securities Market", shall be obliged to comply with the following additional conditions:

- 1) the conditions for issuing debt securities contain provisions that the debt securities may be forcibly restructured in case of application by the authorized body of measures on settlement of an insolvent bank in the manner provided by this Law;
- 2) the conditions for issuing of debt securities contain provisions that the holders of debt securities do not have the right to demand early fulfillment of obligations to them in case of application to an insolvent bank of measures for its settlement provided by this Law.

3. The requirements of paragraphs 1 and 2 настоящей of Article of this Article shall not apply to a bank-resident of the Republic of Kazakhstan and (or) organization when issuing and (or) placement of equity securities by it, by the conditions of issuance of which, granting of guarantees of the bank– resident of the Republic of Kazakhstan is provided, in case of a forced restructuring of obligations of an insolvent bank–resident of the Republic of Kazakhstan in the manner provided by this Law.

4. The bank - resident of the Republic of Kazakhstan, which placed emission securities in the territory of a foreign state, shall notify the authorized body of the results of the placement of these securities in accordance with paragraph 2 of Article 22-1 of the Law of the Republic of Kazakhstan "On the Securities Market".

**Footnote.** It is supplemented by Article 16-3 in accordance with the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); as amended by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

#### **Article 17. Founders and shareholders of a bank**

1. Legal entities and individuals - residents and non-residents of the Republic of Kazakhstan may be the founders and shareholders of a bank (taking into account the restrictions imposed by paragraph 5 of this Article and Article 18 of this Law).

2. The state may be a founder and shareholder of the bank only in the person of the Government of the Republic of Kazakhstan, except for the cases provided by this Article. State-owned enterprises and organizations, more than fifty percent of the participation stakes in the authorized capital or placed shares of which belong to the state, may not be the founders and shareholders of the bank, except for the national management holding, the organization specializing in improving the quality of loan portfolios of second-tier banks, and subsidiaries of the National Bank of the Republic of Kazakhstan.

The authorized body may be the sole founder of the stabilization bank in order to carry out operation on the transfer of assets and obligations of the bank provided by Article 61-12 of this Law.

3. *(Is excluded - No 162 dated 2.03.01)*

4. In order to protect the interests of creditors and ensure stability of the banking system of the Republic of Kazakhstan, in case if the measures, taken by the authorized body have not improved the financial condition of the bank:

1) in case of a single violation by the bank of capital adequacy ratio and (or) the liquidity ratio, or violation of other prudential standards and (or) other compulsory for observance norms and limits two and more times within twelve consecutive calendar months, the Government of the Republic of Kazakhstan on the proposal of the authorized body shall be entitled to make decision on acquisition by the Government of the Republic of Kazakhstan or national managing holding of the announced shares of the bank in the amount, necessary to improve its financial condition and the bank's compliance with prudential standards and (or) other mandatory standards and limits, in the manner prescribed by Article 17-2 of this Law;

2) if the bank has a negative amount of capital, the authorized body shall have the right to carry out compulsory redemption of the bank's shares with the condition of their obligatory subsequent immediate sale at the purchase price to a new investor, guaranteeing necessary improvement in the financial situation of the bank.

5. The legal entities, registered in the offshore zones, the list of which shall be established by the authorized body, may not directly or indirectly possess and (or) use and (or) dispose the voting shares of the banks - resident of the Republic of Kazakhstan.

This restriction shall not apply to the banks that are the subsidiaries of the banks - non-residents of the Republic of Kazakhstan, having the minimum required rating of one of the rating agencies.

The list of the rating agencies and the minimum required rating shall be defined by the authorized body

The requirements of this paragraph shall not apply to the cases of forced restructuring of the obligations of an insolvent bank in accordance with Article 61-10 of this Law.

5-1. A shareholder, participating in the general meeting of the shareholders, shall submit an application on implementation of the requirements of paragraph 5 of this Article by its shareholders (participants), in case if the information about the country of registration of such shareholders (participants) is not available in the bank.

A shareholder that has not submitted such application shall not be permitted to participate in the general meeting of the shareholders.

When revealing unreliability of the information, specified in the application, or revelation of violation of the requirement, specified in paragraph 5 of this Article:

1) in case if majority of the voting shares (without the voting shares of the shareholder, who submitted the application) voted for adoption of a decision, the decision of the general meeting of the shareholders shall be deemed adopted without including the votes of the shareholder;

2) in case if the vote of the shareholder, that submitted the application, was decisive, this fact shall be the ground for annulment of the decision of the general meeting of the shareholders at the request of the authorized body or other interested persons, in the order, established by the legislation of the Republic of Kazakhstan.

6. *(Is excluded – dated 23 December, 2005 No 107 (the order of enforcement see Article 2 of the Law No 107).*

7. The persons, directly or indirectly owing the shares of the bank or influencing the decisions taken by the shareholder of the bank, except for the national holding company, at the request of the authorized body, shall be obliged to submit the constituent documents and other information, necessary to define the major participants of the bank and its financial condition.

**Footnote. Article 17 as amended by the Decree of the President of the Republic of Kazakhstan shall be enforced, dated 27.01.1996 No 2830; the Laws of the Republic of Kazakhstan dated 07.12.1996 No 50; dated 11.07.1997 No 154; dated 29.06.1998 No 236; dated 10.07.1998 No 282; dated 16.07.1999 No 436; dated 02.03.2001 No 162 (see Art. 2); dated 25.04.2001 No 179; dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 08.07.2005 No 72 (the order of enforcement see Art. 2); dated 07.07.2006 No 178 (**

shall be enforced from the day of its official publication); dated 19.02.2007 No 230 (the order of enforcement see Art. 2); dated 23.10.2008 No 72 -IV (the order of enforcement see Art. 2); dated 12.02.2009 No 133 -IV (the order of enforcement see Art. 2); dated 13.02.2009 No 135 -IV (the order of enforcement see Art. 3); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); dated 01.03.2011 No 414 -IV (shall be enforced from 01.01.2010); dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

**Article 17-1. A bank holding company and a major bank participant**

1. No person alone or jointly with another (other) person (s) may (may not) directly or indirectly own, use and (or) dispose ten or more percent of the bank's placed (excluding preferred and redeemed by the bank) shares of the bank, as well as to have control or possibility to influence the decisions made by the bank in the amount of ten or more percent of the placed (excluding preferred and redeemed by the bank) of shares of the bank without obtaining the prior written consent of the authorized body. This requirement shall not apply to the state or the national managing holding, an organization, specializing in improving the quality of loan portfolios of second tier banks, subsidiaries of the National Bank of the Republic of Kazakhstan, the unified accumulative pension fund in case of owning by them of ten or more percent of the placed (excluding preferred and redeemed by the bank) shares of the bank at the expense of pension assets managing the investment portfolio in the case of possession, use and (or) disposal of ten or more percent of the placed (excluding preferred and redeemed by the bank) shares of the bank at the expense of pension assets, as well as in the cases provided by this Law.

Non-resident legal entities of the Republic of Kazakhstan may obtain the consent of the authorized body to acquire the status of a bank holding company or a major bank participant in the presence of the minimum required rating of one of the rating agencies. Minimum rating and the list of the rating agencies shall be established by the regulatory legal act of the authorized body.

The presence of this rating shall not be required for a nonresident legal entity of the Republic of Kazakhstan, planning to own indirectly ten or more percent of the allotted shares of the bank or vote indirectly by ten or more percent of the voting shares of the bank through the ownership (voting) of the shares (ownership interest) in the non-resident legal entity of the Republic of Kazakhstan, which is the major participant of the bank, directly owning ten or more percent of the allotted shares or having the opportunity to vote by ten or more percent of the voting shares of the bank, which has the minimum required rating.

Major participants of the bank – individuals shall pay for the shares of the bank in an amount not exceeding the value of the property owned by them on the right of ownership. In this case, the value of the property (excluding the value of previously acquired shares of the bank) should not be less than the total value of previously acquired and being acquired shares of the bank.



1-1. A financial institution - nonresident of the Republic of Kazakhstan, subject to the consolidated supervision in the country of its location, shall be entitled to be a bank holding company - non-resident of the Republic of Kazakhstan, directly owning twenty-five or more percent of the allotted shares (net of the preferred and those, repurchased by the bank) of the bank or having the opportunity to vote directly by twenty-five or more percent of the voting shares of the bank.

2. The rules for issuance, revocation of the consent for obtaining the status of a major participant of a bank or a bank holding company, the requirements to the documents, submitted to obtain the consent, shall be defined by the authorized body.

2-1. The requirements for obtaining the status of a bank holding company or a major participant of the bank shall not apply to the non-resident legal entity of the Republic of Kazakhstan indirectly owning(having the opportunity to vote, make decisions and (or) influencing the decisions made under a contract or otherwise) the shares of the bank through the ownership of the shares (the possibility to vote, make decisions and (or) influence the decisions made under a contract or otherwise) of another financial institution - non-resident of the Republic of Kazakhstan, which is subject to the consolidated supervision in the country of its location and has the status of a major participant (a bank holding company) of the bank.

Requirements on receipt of status of banking holding or big participant of bank shall not apply to the cases of the bank's acquisition of shares of another bank, upon their reorganization in the form of affiliation in the manner, determined by the legislation of the Republic of Kazakhstan, if one of the reorganized banks is the bank, in relation of which the restructurisation was conducted in accordance with this Law.

2-2. In order to obtain the consent for acquisition of the status of a bank holding company or a major participant of the bank, a fee shall be paid, the amount and procedure of payment of which shall be determined by the tax legislation of the Republic of Kazakhstan.

3. To obtain consent, a person wishing to become a major participant in a bank is obliged to submit to the authorized body an application for acquiring the status of a major participant in a bank, containing information established by a regulatory legal act of the authorized body, including information on the conditions and procedure for acquiring bank shares, including earlier acquired, as well as a description of the sources and means used to acquire shares, with the attachment of documents and information specified in paragraphs 4, 4-1, 5, 6, 7 and 7-1 of this article.

4. In order to obtain the consent for acquisition of the status of a major participant of the bank, the individual shall submit the following documents:

1) copies of documents confirming the conditions and procedure for acquiring shares, as well as sources and means used to acquire shares.

The source, used for the purchase of the bank's shares shall be:

the income, received from business, labor or other paid activity;

monetary documented savings of the applicant.

In addition to the sources, listed in the second part of this subparagraph, the money, received as a gift, winnings, income from selling the gratuitously received property, in an amount not exceeding twenty-five percent of the value of the purchased shares, may be used for the purchase of shares of the bank.

When purchasing the shares of the bank at the expense of the property, received as a gift, the applicant shall submit information about the grantor, and the source of origin of such property of the grantor;

2) excluded by the Law of the Republic of Kazakhstan dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication);

3) information on legal entities in which it is a major participant, in the form established by the regulatory legal act of the authorized body. If the applicant is a shareholder (participant) of a legal entity-non-resident of the Republic of Kazakhstan, additionally notarized copies of constituent documents of the legal entity-non-resident of the Republic of Kazakhstan shall be submitted;

3-1) the bank's recapitalization plan in case of a possible worsening of its financial condition;

3-2) excluded by the Law of the Republic of Kazakhstan dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication);

3-3) information on income and property, information on the outstanding debt for all obligations of the applicant in accordance with the form established by the regulatory legal act of the authorized body, and for an individual – the resident of the Republic of Kazakhstan, in addition, a copy of declaration on assets and liabilities notarized or certified by the state revenue body, submitted in accordance with the tax legislation of the Republic of Kazakhstan – within thirty calendar days prior to the date of submission to the authorized body of an application for obtaining a status of a major bank participant and a copy of the declaration of income and property, notarized or certified by the state revenue authority, submitted in the manner and within the time limits established by the tax legislation of the Republic of Kazakhstan.

The information in the declaration of assets and liabilities shall be indicated as of the first day of the month of submitting the declaration of assets and liabilities.

The specified information shall be accompanied by supporting documents sufficient to analyze the financial situation of the applicant;

4) information about the applicant in the form prescribed by the regulatory legal acts of the authorized body, including information about education, labor activity, impeccable business reputation. Non-resident individuals, in confirmation of their impeccable business reputation, submit a document confirming the absence of an unexpunged or outstanding conviction issued by the relevant state body of the country of their citizenship, and stateless



persons - their country of permanent residence (the date of issue of the specified document cannot be more than three months preceding the date filing an application);

5) a written confirmation of the relevant state body of the country of residence of an individual - non-resident of the Republic of Kazakhstan that the acquisition of the shares of a bank-resident of the Republic of Kazakhstan is permitted by the national legislation of the country or a statement of the authorized body of the country that such permission of the country of the specified founder is not required under the legislation;

6) a document confirming payment of the fee for the issue of consent, except for cases of payment through the payment gateway of "electronic government".

4-1. In the event that an individual or legal entity began to meet the characteristics of a major participant in a bank without obtaining the prior written consent of the authorized body on the basis of a donation agreement or a trust management agreement, upon submission of an application for acquiring the relevant status in accordance with the requirement established by paragraph 16 of this article, additionally presented:

1) copies of documents confirming the conditions and procedure for donating bank shares or trust management of bank shares;

2) the documents provided for in subparagraphs 3), 3-1), 3-3), 4), 5) and 6) of paragraph 4 of this article;

3) information on the value of shares that are the subject of a donation agreement or trust management agreement, determined by the appraiser in accordance with the legislation of the Republic of Kazakhstan, with copies of supporting documents attached.

To obtain consent to acquire the status of a major participant in the bank, an additional individual or legal entity who has acquired the bank's shares as a result of a donation agreement, the following conditions are met as of the date of submission of an application for acquiring the status of a major bank participant:

1) the value of the property (excluding the value of previously acquired shares of the bank) owned by an individual on the right of ownership shall not be less than the total value of the shares that are the subject of the gift agreement and the shares of the bank previously acquired by it;

2) income, received from entrepreneurial, labor or other paid activity of an individual, as well as his/her monetary savings, confirmed by the documents, make up not less than seventy-five percent of the value of donated shares of the bank, determined by the appraiser.

5. To obtain consent to acquire the status of a major participant in the bank, a legal entity-resident of the Republic of Kazakhstan shall submit the following documents:

1) a copy of the decision of the relevant body of the applicant on the acquisition of the bank's shares (in the absence of a decision on the Internet resource of the financial reporting depository or the possibility of receiving it by the authorized body through the web portal of "electronic government").

If the applicant is a bank that acquires the status of a major participant in the bank that has carried out the operation provided for in Articles 61-4 and 61-11 of this Law, or a non-resident financial institution of the Republic of Kazakhstan, then a copy of the decision of the applicant's management body on the acquisition of bank shares is submitted;

1-1) information and supporting documents on persons (independently or jointly with other persons) owning, directly or indirectly, ten or more percent of the shares (stakes in the authorized capital) of a legal entity, as well as having the ability to determine the decisions of this legal entity by virtue of an agreement either otherwise or have control;

1-2) a list of the applicant's affiliates (in the absence of a list on the Internet resource of the financial reporting depository or the possibility of obtaining it by the authorized body through the web portal of "electronic government");

2) information and documents specified in subparagraphs 1), 3), 3-1) and 6) of paragraph 4 of this article;

2-1) excluded by the Law of the Republic of Kazakhstan dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication);

3) notarized copies of constituent documents if they are not available on the Internet resource of the financial reporting depository or if it is possible to receive them by the authorized body through the web portal of "electronic government";

4) brief information about the applicant's executives in the form prescribed by the regulatory legal acts of the authorized body, including information about education, work experience, and impeccable business reputation. For the applicant's executives who are non-residents of the Republic of Kazakhstan, the applicant shall provide information confirming their impeccable business reputation in the form prescribed by the regulatory legal act of the authorized body;

5) annual financial statements for the last two completed financial years, certified by an auditing organization, as well as financial statements for the last completed quarter before the submission of the corresponding application.

Annual financial statements are not submitted if these statements are posted on the Internet resource of the financial statements depository or if it is possible to receive it by the authorized body through the "electronic government" web portal;

6) excluded by the Law of the Republic of Kazakhstan dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

6. In order to obtain the consent for acquiring the status of a major participant of the bank, a nonresident legal entity of the Republic of Kazakhstan shall submit the following documents:

1) information and documents specified in subparagraphs 1), 3), 3-1) and 6) of paragraph 4 and subparagraphs 1), 1-1), 1-2), 3), 4) and 5) of paragraph 5 of this articles;

2) the information about the credit rating of the legal entity that is assigned by one of the international rating agencies, the list of which shall be established by the authorized body, except for the cases, provided for in paragraph 1 of this Article;

3) a list of legal entities in which the applicant is a major participant, and notarized copies of their constituent documents, as well as notarized copies of the applicant's constituent documents.

In order to obtain the consent for acquiring the status of a major participant of the bank, a financial institution -non-resident of the Republic of Kazakhstan, in addition to the documents , referred to in this paragraph, shall submit a written confirmation from the Financial Supervisory Authority of the country of location of the applicant that the applicant is authorized to perform financial activities under the Laws of that country, or a statement of the financial supervisory body of the country of location of the applicant that such permission is not required in compliance with the legislation of this country.

6-1. The requirements of subparagraph 3) of paragraph 6 of this article regarding the provision by the applicant of notarized copies of constituent documents do not apply to a legal entity that is a non - resident of the Republic of Kazakhstan if one of the conditions is met:

1) a legal entity - non–resident of the Republic of Kazakhstan has a credit rating not lower than A of one of the rating agencies, the list of which shall be established by the authorized body;

2) availability of information on legal entities (participation stake, types of statutory activities) in which the applicant is a major participant, and the major participants of the applicant, as well as information on the financial state of the applicant on the Internet resource of the supervisory authority of the applicant's country of residence.

7. In order to obtain permission to acquire the status of a bank holding, a financial institution -non-resident of the Republic of Kazakhstan shall submit the following documents:

1) the information and documents referred to in paragraph 6 of this Article;

1-1) a written confirmation from the Financial Supervisory Authority of the country of location of the applicant that the financial institution – non- resident of the Republic of Kazakhstan shall be subject to the consolidated supervision;

1-2) a written permission (consent) of the Financial Supervision Authority of the country of the location of the applicant for acquiring by a financial institution - non-resident of the Republic of Kazakhstan of the status of a bank holding company or a statement of the authorized body of the relevant country that such permission (consent) is not required in accordance with the legislation of the country;

2) a written confirmation from the Financial Supervisory Authority of the country of origin of the applicant that the applicant is authorized to perform financial activities under the

legislation of this country, or a statement of financial supervisory body of the country of origin of the applicant that such permission is not required in accordance with the legislation of this country.

7-1. The individuals, wishing to acquire the status of a major participant of the bank with the ownership interest of twenty-five or more percent (net of the preferred and those, repurchased by the bank) of the allotted shares, as well as the legal entities, wishing to acquire the status of a bank holding company, in addition to the documents and information, referred to in this Article, are to submit a business plan, the requirements for which are established by the authorized body, for the next five years.

8. The persons, that are jointly a major participant of the bank, shall be recognized the persons in total owning ten or more percent of the allotted shares (net of the preferred and those, repurchased by the bank), or having the opportunity to vote directly or indirectly by ten or more percent of the shares of the bank and:

- 1) jointly influencing the bank's decision under an agreement between them or otherwise;
- 2) being the major participants of each other separately or mutually;
- 3) one of them is an official or a representative of another person;
- 4) one of them provided an opportunity to another person to purchase the bank's shares in accordance with the contract, concluded between them;
- 5) are close relatives or spouses;
- 6) one of them provided an opportunity to another person to purchase the bank's shares at the expense of the granted money or gratuitously received property.

9. The grounds for refusal in issuance the consent by the authorized body to the persons wishing to become a major participant of the bank or a bank holding company shall be:

non-compliance with the requirements of subparagraphs 3), 4), 5) and 6) of paragraph 3 of Article 20 of this Law (in respect of an individual or executives of the applicant-legal entity);

unsustainable financial situation of the applicant;

non-elimination of the comments of the authorized body on the submitted documents;

violation of the requirements of the legislation of the Republic of Kazakhstan in the field of competition protection as a result of acquisition by the applicant of the status of the major participant of the bank or the bank holding company;

cases when in the transaction on acquisition of the status of the major participant of the bank or the bank holding company, the acquiring party is the legal entity (its large participant (large shareholder) registered in offshore zones which list shall be established by the authorized body;

non-compliance by the applicant with other requirements established by legislative acts of the Republic of Kazakhstan to major participants of the bank and bank holding companies;

analysis of financial consequences of acquisition by the applicant of the status of a major participant of the bank or bank holding company assumes deterioration of financial state of the bank;

lack of powers to carry out financial activities under the legislation of the country of origin at the applicant-a non-resident financial organization of the Republic of Kazakhstan;

lack of the minimum required rating of one of the international rating agencies, the list of which is determined by the authorized body except for cases provided by paragraph 1 of this Article at the applicant-legal entity- non-resident of the Republic of Kazakhstan or its parent organization, except for the cases, provided for by paragraph 1 of this Article;

inefficiency of the presented recapitalization plan of the bank in case of possible deterioration of financial state of the bank;

lack of impeccable business reputation at the applicant - an individual, at an executive employee of the applicant - a legal entity;

cases when a person has previously been or is a major participant-an individual or the first head of a major participant - a legal entity and (or) a senior employee of a financial organization, including the financial organization – non-resident of the Republic of Kazakhstan, for a period of not more than one year before adoption by the authorized body or a body of financial supervision of the state, the resident of which is the financial organization – non-resident of the Republic of Kazakhstan, of a decision on classification of a bank as insolvent banks, or the forced redemption of its shares, deprivation of a license from a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan, entailed their liquidation and the termination of the implementation of activities in the financial market, or the entry into force of the court's decision on the compulsory liquidation of a financial organization, including the number of a financial organization - non-resident of the Republic of Kazakhstan or recognition by bankrupt in accordance with the procedure, established by the legislation of the Republic of Kazakhstan or the legislation of the state, the resident of which is a financial organization - non-resident of the Republic of Kazakhstan. The specified requirement shall be applied within five years after the adoption by the authorized body or the body of financial supervision of the state, the resident of which is the financial organization - non-resident of the Republic of Kazakhstan, the decision to classify the bank as insolvent banks or forced redemption of its shares, deprivation of the license of a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan that entailed their liquidation and the termination of activities in the financial market or entry into legal force of the court decision on the enforcement liquidation of a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan, or recognition of it bankrupt in accordance with the procedure established by the legislation of the Republic of Kazakhstan or the legislation of the state, the resident of which is the financial organization - non-resident of the Republic of Kazakhstan. For the purposes of this paragraph, a financial organization shall also be understood as a branch of the

bank - non-resident of the Republic of Kazakhstan, a branch of the insurance (reinsurance) organization - non-resident of the Republic of Kazakhstan, a branch of the insurance broker - non-resident of the Republic of Kazakhstan;

non-compliance of the legislation in the field of consolidated supervision over financial organizations of the country of location of the applicant-legal entity with the requirements for consolidated supervision established by the legislative acts of the Republic of Kazakhstan;

for large participants-legal entities and banking holdings, which are financial organizations, - non-residents of the Republic of Kazakhstan are the lack of an agreement between the authorized body and financial supervision of the state, the resident of which is the applicant, which provides for the exchange of information;

cases when the applicant-financial organization is not subject to supervision on a consolidated basis in the country of its location;

impossibility of consolidated supervision over banking conglomerate due to the fact that the legislation of the countries of location of participants of the banking conglomerate – non-residents of the Republic of Kazakhstan makes it impossible to execute by them and by the banking conglomerate of requirements, provided by the laws of the Republic of Kazakhstan;

availability of grounds for refusal to issue a permit to open a bank.

If a person wishing to acquire the status of a bank holding company creates or acquires a subsidiary financial organization or acquires a significant participation in the capital of a financial organization, the grounds for refusal provided in paragraph 6 of Article 11-1 of this Law shall be taken into account when considering the documents, submitted by the authorized body. If there are grounds for refusal to issue permission for creation (acquisition) a subsidiary, a significant participation in the in the authorized capital of organizations, the authorized body shall refuse to issue a consent for acquisition of the status of a bank holding company or a major participant of a bank.

9-1. The requirements of this article regarding the presence of the minimum required rating of one of the rating agencies and the agreement between the authorized body and the relevant supervisory authority of a foreign state on the exchange of information shall not apply to cases of acquisition by the applicant - a financial institution - non-resident of the Republic of Kazakhstan of one hundred percent of the shares of a bank - resident of the Republic of Kazakhstan from a national management holding.

10. A sign of unstable financial situation of the applicant shall be the presence of one of the following conditions:

a legal entity-applicant was created less than two years prior to the date of filing an application;

an applicant's obligations exceed its assets minus the amount of assets placed in shares and participation stakes in the authorized capital of other legal entities, and expected to acquire shares of the bank;

losses on the results of each of the two completed financial years;  
the amount of the applicant's obligations poses a significant risk to the financial condition of the bank;

availability of overdue and (or) related to the balance of the bank of the applicant's debt before the bank;

analysis of financial consequences of acquisition by the applicant of the status of a major participant of the bank assumes deterioration of financial state of the applicant;

the value of the applicant's property (minus the applicant's obligations) is not sufficient to purchase shares of the bank;

other grounds indicating the presence of an unstable financial situation of the applicant and (or) the possibility of causing damage to the bank and (or) its depositors.

11. Upon acquisition by a person of the characteristics of a major participant of a bank or a bank holding company without the written consent of the authorized body, the authorized body shall have the right to apply to this individual the measures of supervisory response provided by this Law, including coercive measures provided by Article 47-1 of this Law in terms of requirements for realization of the bank shares within a period not exceeding six months.

12. Issuance of the consent of the authorized body to the persons wishing to become a bank holding company, shall be carried out under the conditions and in the order, specified for a major participant of the bank.

A person wishing to become a bank holding company must ensure that the requirements established by the authorized body are met in terms of the availability of risk management and internal control systems, including with respect to risks associated with the activities of a subsidiary.

12-1. The shareholders who collectively own ten or more percent of the allotted shares (net of the preferred and those, repurchased by the bank), or of the voting shares of the bank and acting on the basis of an agreement, concluded between them, providing for making their decisions on the following issues, shall not be the major participants of a bank, bank holding companies:

1) the convening of an extraordinary general meeting of the shareholders or the appeal to the court to convene it in case if the board of directors refused to convene a general meeting of the shareholders;

2) inclusion of additional items on the agenda of the general meeting of the shareholders;

3) convenience of the meeting of the board of directors;

4) conducting of an audit of the bank by the audit organization at the bank's own expense.

13. The entities, jointly being a bank holding company, are those, in total owning twenty-five or more percent of the allotted shares (net of the preferred and those, repurchased by the bank), or having the ability to vote directly or indirectly by twenty-five or more percent of the shares of the bank and:

- 1) jointly influencing the bank's decision under the agreement between them or otherwise;
- 2) separately or mutually being the major participants of each other;
- 3) one of them is a representative of another person;
- 4) one of them granted the ability to purchase shares to another person in accordance with the contracts, concluded between them.

14. A decision on an application submitted to obtain the status of a bank holding company or a major participant in a bank in accordance with the requirements of this article must be made by the authorized body within fifty working days after the application is submitted.

An application for granting the status of a major participant in a bank or bank holding company, submitted as part of obtaining a permit to open a bank, is considered by the authorized body within the time limits established for considering an application for issuing a permit to open a bank.

The authorized body shall notify the applicant in a written form about the results of its decision, at that, in the case of refusal to grant consent for purchase of the corresponding status, the grounds for refusal are given in the written notice.

An application for the issuance of a large participant in a bank or bank holding, submitted as part of a permit for voluntary reorganization of a microfinance organization in the form of conversion to the bank, shall be considered by the authorized body within the time periods established for consideration of the application for voluntary reorganization of the microfinance organization in the form of converting into the bank.

The authorized body, when issuing consent to a person for acquisition of the status of a bank holding company, simultaneously shall issue a permit for a significant participation in the capital of the bank or creation (acquisition) of a subsidiary bank.

15. The authorized body shall have the right to revoke the consent issued in accordance with this Article, having taken the decision on its cancellation within two months from the date of detection of the fact that is the basis for withdrawal of the consent, in case of revealing inaccurate information, based on which the consent was issued, or violation as a result of purchase by the applicant of the status of a major participant or a bank holding company of requirements of the legislation of the Republic of Kazakhstan in the field of competition protection or non-compliance with the requirements of the laws of the Republic of Kazakhstan by major participants or bank holding company. In this case, the person to whom such measure is applied shall be obliged within six months, to reduce the number of shares of the bank belonging to him/her to the level below the level established by this Article.

The person, from whom the consent, issued in accordance with this Article, was revoked, shall not be entitled to transfer the bank's shares to the trust management to the third party.

In the case of non-compliance of the persons, in respect of which the authorized body made a decision to revoke the relevant consent, with the requirements of this paragraph, the authorized body shall be entitled to apply to the court for fulfillment of the requirements of the authorized body by those persons.



16. If the person meets the requirements of a bank holding company, a major participant of the bank without the prior written consent of the authorized body, it shall not be entitled to take any actions, aimed at influencing the management or the policy of the bank, and (or) to vote on such shares until it receives a written consent from the authorized body in accordance with the provisions of this Article.

In this case, the person, meeting the characteristics of a bank holding company, a major participant of the bank, shall be obliged to notify the authorized body within ten calendar days from the moment when it became aware that it meets the characteristics of a bank holding company, a major participant of the bank.

An application on acquisition of the corresponding status shall be submitted to the authorized body within thirty calendar days from the moment when it became aware that it meets the characteristics of a bank holding company, a major participant of the bank, unless that person is planning to dispose the shares within the specified period. Information about the decision on alienation of the shares shall be submitted to the authorized body immediately from the date of the decision making.

If the authorized body refuses to issue a consent to the person corresponding to the characteristics of a bank holding company, a major participant of the bank, the specified person shall be obliged within six months from the date of receipt of the written notification to reduce the number of shares of the bank belonging to him/her to the level below the level established by this Article.

17. The authorized body shall be entitled to request information from the individuals and legal entities in the presence of the data, confirming that the entity meets the characteristics of a bank holding company or a major participant of the bank or the direct, indirect shareholder of the bank, or, on the basis of an agreement or otherwise, has the opportunity to vote by the shares of the bank in the amount equal or exceeding the limits, set by this Article, without the consent of the authorized body in accordance with the requirements of this Law. Information may be claimed from any entity which has it, as well as from organizations, controlled by these entities.

18. A major participant of the bank, bank holding company shall be obliged, within thirty calendar days from the date of taking the decision, to notify the authorized body about the change in percentage ratio of the number of owned bank shares to the number of placed (excluding privileged and repurchased by the bank) shares and (or) to the number of voting shares that it owns directly or indirectly or has the power to vote, directly or indirectly, with presentation of confirming documents, except for cases, when such a change occurs as a result of redemption of own shares by the bank or bank holding company from other shareholders.

If the number of the bank's shares has changed (in percentage or in absolute value), owned by a major participant of the bank, bank holding company, to the number of the allotted shares (net of the preferred and those, repurchased by the bank) and (or) to the

number of voting shares of the bank in the upwards direction, the major participant of the bank, bank holding company shall submit information to the authorized body on the sources of funds, used to purchase the bank's shares, with the copies of supporting documents attached. The sources of funds, used for the acquisition of the bank's shares by major participants – individuals, shall be defined in subparagraph 1) of paragraph 4 of this Article.

In the event of a change in the percentage of the number of bank shares to less than ten or twenty-five percent owned by a major participant in the bank, a bank holding company, to the number of outstanding (minus preferred and repurchased by the bank) shares and (or) to the number of voting shares of the bank at the request of a major participant a bank, a bank holding company, or in the case of an independent discovery by the authorized body of facts that are the basis for cancellation of the issued consent, the previously issued written consent of the authorized body is considered canceled from the day following the day the authorized body receives the said application or the authorized body finds facts that are grounds for canceling the issued consent .

In case of increasing the number of shares owned by him/her to twenty-five percent or more of the placed (excluding preferred and repurchased by the bank) shares of the bank, a major participant of the bank, who is an individual, in addition to the documents and terms specified in this paragraph, shall submit a business plan, the requirements to which are established by the authorized body, for the next five years.

19. Quarterly, no later than the tenth day of the month following the reporting quarter, a bank and a bank holding company shall submit to the authorized body the list of all of its major participants or bank holding companies (for banks) with the amount of their allotted shares (excluding the preferred shares and the repurchased) or the ownership interest in the authorized capital of the bank or the bank holding company, as well as their percentage.

20. Banks shall be required to inform the authorized body of the changes made to the composition of the shareholders, owning ten or more percent of the voting and (or) the allotted (net of the preferred and those, repurchased by the bank) bank's shares, within fifteen calendar days from the date of revelation of this fact by them.

21. Is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI ( shall be enforced upon expiry of ten calendar days from the date of its first official publication).

Footnote. Article 17-1 is in the wording 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); as amended by the Laws of the Republic of Kazakhstan dated 19 February, 2007 No 230 (the order of enforcement see Article 2); dated 23.10.2008 No 72 -IV (the order of enforcement see Article 2); dated 01.03.2011 No 414 -IV (shall be enforced from 01.01.2010); dated 28.12.2011 No 524 - IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 19.03.2014 No 179 -V (shall be

enforced from the date after its first official publication.); dated 27.04.2015 № 311-V (shall be enforced from 01.01.2014); dated 29.10.2015 № 376-V (shall be enforced from 01.01.2016); dated 18.11.2015 № 412-V (shall come into force from 01.01.2021);dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 25.12.2017 № 122-VI (shall be enforced from 01.01.2018); dated 02.07.2018 № 168-VI (the order of enforcement see Art. 2); dated November 25, 2019 № 272-VI (the order of enforcement see Art. 3); dated 03.07.2020 № 359-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 30.12.2022 № 177-VII (shall be enforced from the date of its first official publication); dated 19.06.2024 № 97-VIII (enters into force on the date of its first official publication).

## **Article 17-2. Particularities of purchasing the authorized shares of the bank by the Government of the Republic of Kazakhstan**

1. In the case provided by subparagraph 1) of paragraph 4 of Article 17 of this Law, on the proposal of the authorized body, the Government of the Republic of Kazakhstan shall consider the possibility of acquisition by the Government of the Republic of Kazakhstan or national managing holding of the authorized shares of the bank in the amount of not less than ten percent from the total number of the placed shares, including the shares purchased by the Government or the national managing holding.

After considering the proposal of the authorized body about the possibility of acquisition by the Government of the Republic of Kazakhstan or national managing holding of the authorized shares of the bank in the amount of not less than ten percent from the total number of the placed shares, the government of the Republic of Kazakhstan shall take the decision to purchase or refuse to purchase the shares of the bank.

The right of the state ownership to the bank's shares shall be registered for the state body, authorized by the Government of the Republic of Kazakhstan for disposal of the republican state property.

2. The decision of the Government of the Republic of Kazakhstan to acquire the bank's shares shall contain:

the number of the shares by which the total number of the authorized shares of the bank is increased, in case of absence of the authorized unallocated or repurchased shares of the bank or in insufficiency of their number;

the offering price (sale) and the number of the compulsorily allotted (sold) shares.

3. The offering price (sale) and the number of the compulsorily allotted (sold) shares shall be defined by the decision of the Government of the Republic of Kazakhstan on the basis of the conclusion of the authorized body, made in coordination with the national management

holding company or state body, authorized by the Government of the Republic of Kazakhstan for disposal of the republican state property, at the market price as of the date of the decision making on allotment (sale) of the shares.

At the initiative of the state body, authorized by the Government of the Republic of Kazakhstan for disposal of the republican state property, or the national holding company, the offering price of the shares may be determined by an appraiser in accordance with the legislation of the Republic of Kazakhstan.

In the case of determining the offering price of the shares by the appraiser, the costs associated with the assessment, shall be covered by the bank.

4. Within three working days from the date of the decision making by the Government of the Republic of Kazakhstan on acquisition and on increase of the authorized shares of the bank, the authorized body shall:

- 1) make changes to the share issue prospectus in the order and under the conditions provided for by the legislation of the Republic of Kazakhstan;
- 2) carry out the state registration of amendments and changes, made to the prospectus;
- 3) send the certificate of state registration on the issue of shares to the bank and notify the central securities depository about the increase in the number of the authorized shares.

The bank shall be obliged to return the original of previously issued certificate of state registration of the shares issue within five calendar days after the date of receipt of the certificate of state registration of the shares issue.

5. After acquiring the shares of the bank, the state body, authorized by the Government of the Republic of Kazakhstan for disposal of the republican state property, or the national management holding company, shall appoint the members of the executive body and (or) the governing body of the bank in the amount of not more than thirty percent of their total number to represent the interests of the state or the national management holding company.

The state body, authorized by the Government of the Republic of Kazakhstan for disposal of the republican state property or the national management holding company shall convene an extraordinary general meeting of the shareholders of the bank to consider the change of officials or employees of the bank, the bank's asset optimization, increase of the authorized capital and other issues, according to the procedure, provided by the legislation of the Republic of Kazakhstan.

5-1. Since the acquisition of the bank's authorized shares by the Government of the Republic of Kazakhstan or the national management holding, the decisions on the subsidiaries of the bank shall be taken by the Board of Directors of the bank.

6. In case of improving the financial condition of the bank, which led to fulfillment of the prudential standards by it and (or) other mandatory standards and limits, the Government of the Republic of Kazakhstan shall take the measures on selling the bank's shares, acquired in accordance with this Article through direct targeted sales or through the trading at a stock exchange.

The selling of the bank's shares, acquired in accordance with this Article, shall be carried out in the order and within the timeframes, established by the Government of the Republic of Kazakhstan.

7. The increase in the number of the authorized shares, the purchase of the bank's authorized shares by the Government of the Republic of Kazakhstan or the national management holding company, and the appointment of the members of the executive body and (or) the governing body of the bank pursuant to this Article shall be implemented without the decision-making of the bodies of the bank.

The shareholders shall not have the right of pre-emption for the authorized shares of the bank, allotted (sold) in accordance with paragraph 1 of this Article.

Footnote. Chapter 2 is supplemented by Article 17-2, in accordance with the Law of the Republic of Kazakhstan dated 23.10.2008 No 72 -IV (the order of enforcement see Article 2); as amended by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 166-VI (the order of enforcement see Art. 2); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019);

#### **Article 18. Particularities of establishing subsidiary banks by the banks - non-residents of the Republic of Kazakhstan**

1. A parent bank in relation to the subsidiary bank may be the banks - non-residents of the Republic of Kazakhstan, with a relevant rating of one of the rating agencies. The list of the rating agencies and the minimum required rating shall be established by the authorized body.

2. (The paragraph is excluded by the Law of the Republic of Kazakhstan dated 10 July 2003 No 483 (shall be enforced from 1 January 2004).

Footnote. Article 18 is amended by the Laws of the Republic of Kazakhstan, dated 11 July , 1997 No 154; dated 16 July, 1999 No 436; dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication.)

#### **Article 19. Application on issuance of a permit to open a bank**

1. An individual or legal entity may apply to the authorized body with the application on issuance of a permit to open a bank.

2. The application shall be submitted in the Kazakh and Russian languages, and shall contain the address of the applicant.

3. The following documents must be attached to the application for issuance of a permit to open a bank, submitted in the form established by the regulatory legal act of the authorized body:

1) a copy of the minutes of the constituent assembly, certified by a notary and executed in the manner prescribed by the legislation of the Republic of Kazakhstan;

2) information about the founders - individuals and legal entities with a share in the authorized capital of the bank of less than ten percent (according to the list determined by the

authorized body), including the financial statements of the founder - a legal entity for the last two completed financial years (including consolidated, if any), certified by an auditing organization.

Financial statements are not submitted if these statements are available on the Internet resource of the financial statements depository or if it is possible to receive it by the authorized body through the “electronic government” web portal;

3) documents and information in the manner prescribed by Article 11-1 of this Law;

4) documents and information in the manner prescribed by Article 17-1 of this Law, if it is necessary for the applicant to obtain the status of a major participant in a bank or bank holding company, with the exception of an application and a business plan provided for in Article 17-1 of this Law;

5) copies of documents confirming the conditions and procedure for the acquisition of shares, as well as sources and means used to acquire shares. The source used to acquire the bank's shares are the funds specified in subparagraph 1) of paragraph 4 of Article 17-1 of this Law;

6) the business plan of the newly created bank, approved by the person authorized by the founders to sign the documents. Requirements for the content of the business plan are established by the authorized body, including the disclosure of the detailed structure of the bank to be opened, the strategy of activity, directions and scope of activity, financial prospects (budget, balance sheet, profit and loss account for the first three financial (operating) years, marketing plan (formation bank clientele), a plan for attracting labor resources, organizing risk management;

7) excluded by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication);

8) excluded by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication);

9) copies of constituent documents (constituent agreement, charter) issued in accordance with the procedure, prescribed by the legislation of the Republic of Kazakhstan (notarized in case of failure to submit originals for reconciliation);

10) excluded by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

4. A report of the audit organization shall be valid provided that the following documents are submitted, confirming that it:

independent from the shareholders of the audited banks and their officials;

is authorized to perform audits in accordance with the license and qualification requirements for mandatory audit of financial institutions of the authorized state body, exercising the state regulation in the auditing area and supervising the auditing and the professional auditing organizations, or in accordance with the license to perform audits of the authorized state body, the resident of which it is.



5. The authorized body may request additional information or documents necessary for decision making on issuance of a permission to open a bank.

6. Application for issuance of a permission to open a bank may be revoked by the applicant at any time of its consideration by the authorized body.

Footnote. Article 19 is amended by the Laws of the Republic of Kazakhstan dated 11 July , 1997 No 154; dated 2 March, 2001 No 162 (see Art. 2); dated 10 July 2003 No 483 (shall be enforced from 1 January, 2004); dated 8 July, 2005 No 72 (the order of enforcement see Article 2); dated 23 December, 2005 No 107 (the order of enforcement see Article 2 of the Law No 107); dated 5 May, 2006 No 139 (the order of enforcement see Article 2 of the Law No 139 ); dated 23.10.2008 No 72 -IV (the order of enforcement see Article 2); dated 20.11.2008 No 88 -IV (the order of enforcement see Article 2); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

Article 20. Requirements for the executive employees of the bank and a bank holding company

1. The head and members of the management body, the head of the executive body, his deputy and members of the executive body, other bank managers, who carry out coordination and (or) control over the activities of the structural divisions of the bank and have the right to sign documents, on the basis of which banking operations, chief accountant, deputy chief accountant shall be recognized as executive employees.

The first managers of the separate divisions of the bank and their chief accountants, as well as persons with the right to sign documents, on the basis of which banking operations are carried out and who carry out the control over the activities of only one structural unit shall not be the executive employees of the bank.

1-1. The head and his deputies, other heads of the branch of the bank - non-resident of the Republic of Kazakhstan, who coordinate and (or) control the activities of the structural units of the bank branch - non-resident of the Republic of Kazakhstan and have the right to sign documents on the basis of which banking operations, chief accountant, deputy chief accountant shall be recognized the executive employees of a branch of the bank - non-resident of the Republic of Kazakhstan. At least two executive employees of a branch of a bank - non-resident of the Republic of Kazakhstan must be residents of the Republic of Kazakhstan.

The The head of a branch of a bank - non-resident of the Republic of Kazakhstan and his deputies shall not be entitled to hold the position of the head of the executive body or a person who solely performs the functions of the executive body of a legal entity, an executive employee in other financial organizations and branches of banks - non-residents of the

Republic of Kazakhstan, branches of insurance (reinsurance) organizations - non-residents of the Republic of Kazakhstan, branches of insurance brokers - non-residents of the Republic of Kazakhstan.

2. The bank shall be obliged, within one hundred and twenty calendar days after the end of financial year, to submit to the authorized body the report, including information on incomes, paid by the bank to all the bank's executives during the financial year, in the form, established by the regulatory legal act of the authorized body.

Requirements to the internal policy of the bank on remuneration of labor, accrual of monetary remuneration, as well as other types of material incentives for the bank executives shall be determined by the regulatory legal act of the authorized body.

3. A person may not hold (may not be appointed (elected) for) the position of an executive employee of a bank if this person:

1) not having higher education;

2) does not have the work experience established by this article:

in international financial organizations, the list of which is established by the authorized body;

and (or) in the field of regulation, control and supervision of the financial market and financial organizations;

and (or) in the provision of financial services;

and (or) auditing financial institutions;

and (or) in the field of regulation of services for the audit of financial institutions;

and (or) in the positions of political civil servants ensuring the formation of state policy in the spheres of economics, finance or state audit and financial control;

and (or) in the national management holding, the Development Bank of Kazakhstan, a special fund for the development of private entrepreneurship, a subsidiary of the national management holding implementing the development of the direct investment market, in the positions stipulated by subparagraph 3-2) of paragraph 5-1 of this article;

2-1) does not meet the requirements established by this article;

3) not having an impeccable business reputation;

4) previously was the head, member of the management body, head of the executive body, his deputy or a member of the executive body, chief accountant, deputy chief accountant of a financial organization, head, deputy head, chief accountant, deputy chief accountant of a branch of a bank - non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) ) an organization - non-resident of the Republic of Kazakhstan, a branch of an insurance broker - non-resident of the Republic of Kazakhstan, a major participant-individual, the head of a major participant (bank holding company) - a legal entity of a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan, within a period not more than one year prior to the adoption by the authorized body or the financial supervision body of the state, whose resident is a bank - non-resident of the



Republic of Kazakhstan, of the decision to classify the bank, branch of the bank - non-resident of the Republic of Kazakhstan as insolvent banks, branches of banks - non-residents of the Republic of Kazakhstan or on the mandatory buyout of bank shares, deprivation of the license of a financial organization, в том числе a financial organization - non-resident of the Republic of Kazakhstan, a branch of a bank - non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company - non-resident of the Republic of Kazakhstan, a branch of an insurance broker - non-resident of the Republic of Kazakhstan, entailed their liquidation and (or) termination of activities in the financial market, or the entry into force of a court decision on the forced liquidation of a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan, or declaring it bankrupt in accordance with the procedure, established by the legislation of the Republic of Kazakhstan or the legislation of the state, a resident of which is a financial organization - non-resident of the Republic of Kazakhstan, or the entry into force of a court decision on the forced termination of the activities of a branch of a bank - non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company - non-resident of the Republic of Kazakhstan in cases established by the laws of the Republic of Kazakhstan.

The specified requirement shall be applied within five years after the adoption by the authorized body or the financial supervision body of the state, the resident of which is the bank - non-resident of the Republic of Kazakhstan, of the decision to classify the bank, branch of the bank - non-resident of the Republic of Kazakhstan as insolvent banks, branches of banks - non-residents of the Republic of Kazakhstan or forced repurchase of bank shares, revocation of the license of a financial organization, including of a financial organization - non-resident of the Republic of Kazakhstan, a branch of a bank - non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company - non-resident of the Republic of Kazakhstan, a branch of an insurance broker - non-resident of the Republic of Kazakhstan, entailed their liquidation and (or) termination of activities in the financial market, or the entry into force of a court decision on the forced liquidation of a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan, or declaring it bankrupt in accordance with the procedure, established by the legislation of the Republic of Kazakhstan or the legislation of the state, a resident of which is a financial organization - non-resident of the Republic of Kazakhstan, or the entry into force of a court decision on the forced termination of the activities of a branch of a bank - non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company - non-resident of the Republic of Kazakhstan in cases established by the laws of the Republic of Kazakhstan..

The requirement of this subparagraph shall not apply to executives of banks, fifty or more percent of the voting shares of which are directly or indirectly owned by the national managing holding, in respect of which restructuring has been carried out in accordance with

this Law, with the exception of executives appointed (elected) before the acquisition by the Government of the Republic of Kazakhstan or the national managing holding of shares of these banks in accordance with Article 17-2 of this Law;

5) was withdrawn the consent to the appointment (election) to the position of an executive employee and (or) who was suspended from performing official duties in this and (or) in another financial organization, banking, insurance holding company, this and (or) another branch of the bank - non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company - non-resident of the Republic of Kazakhstan, a branch of an insurance broker - non-resident of the Republic of Kazakhstan through applying the supervisory response measure. The specified requirement shall be applied during the last twelve consecutive months after the decision by the authorized body on withdrawal of a consent to the appointment (election) to the position of an executive employee or removal from performance of official duties.

A person who has committed a corruption offense or has been subjected to an administrative penalty for committing a corruption offense within three years prior to the date of appointment (election) may not hold (may not be appointed (elected) to) the position of a bank executive employee;

6) previously was the head, a member of the management body, the head, a member of the executive body, chief accountant of a financial organization, a major participant (a major shareholder) – an individual, the head, a member of the management body, the head, a member of the executive body, a chief accountant of the major participant (major shareholder) – a legal entity-issuer, defaulted in the payment of coupon interest on the issued securities for four or more consecutive periods or the amount of debt of which on the payment of coupon interest on the issued securities, on which the default was made, is fourfold, and (or) a size of the coupon interest or the amount of default on principal repayment on the issued securities is the amount at ten thousand times exceeding the monthly calculation index, established by the Law on the republican budget on the date of payment. The specified requirement shall be applied within five years from the moment of occurrence of the circumstances provided by this subparagraph.

3-1. A person who is the person associated with the bank by special relations, and (or) was such a person for three years preceding the date of filing an application for its approval for the position of a member of the board of directors - an independent director of the bank may not hold (may not be appointed (elected) to) the position of a member of the board of directors - an independent director of the bank.

4. A major participant of the bank may not be appointed (elected) to the position of the head of the executive body of the bank.

The number of members of the executive body must be at least three persons.

5. To comply with the requirement provided for in subparagraph 2) of paragraph 3 of this Article, the candidates for positions shall be required to have work experience of:

1) the head or member of the management body who is a member of the executive body of the parent bank, head of the executive body, head of the branch of the bank - non-resident of the Republic of Kazakhstan - at least five years, including at least three years in a managerial position;

2) the head of the bank's management body - at least five years, including at least two years in a managerial position;

3) members of the executive body of the bank, the deputy head of the executive body of the bank, the deputy head of the branch of the bank - non-resident of the Republic of Kazakhstan for at least three years, including at least two years in a managerial position;

4) member of the governing body for at least two years, including at least one year in a managerial position;

5) chief accountant of a bank, branch of a bank - non-resident of the Republic of Kazakhstan for at least three years;

6) deputy chief accountant of a bank, branch of a bank - non-resident of the Republic of Kazakhstan for at least two years;

7) other managers of a bank, a branch of a bank - non-resident of the Republic of Kazakhstan, who coordinate and (or) control the activities of structural divisions of the bank, a branch of a bank - non-resident of the Republic of Kazakhstan and have the right to sign documents on the basis of which banking operations are carried out, for at least one year.

Features of the work experience for candidates with professional qualifications confirmed by international certificates, and the list of such certificates shall be established by the regulatory legal act of the authorized body.

Work experience provided for in subparagraph 2) of paragraph 3 of this Article shall not be required for candidates for the positions of members of the executive body of the bank who are in charge of security issues, administrative and economic issues, information technology issues.

Work experience specified in this paragraph shall not include work in the divisions of a financial organization related to the implementation of economic activities, security, development of information technologies, as well as work in a mutual insurance company and an organization engaged in microfinance activities.

A member of the management body who is an independent director shall not be entitled to hold the position of an independent director of this bank for more than ten consecutive years, except for the cases provided for by the regulatory legal act of the authorized body.

5-1. For the purposes of subparagraphs 1), 2), 3) and 4) of part one of paragraph 5 of this Article the executive position shall be understood the position of:

1) an executive employee of a financial organization, a branch of a bank that is a non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company - non-resident of the Republic of Kazakhstan, a branch of an insurance broker - non-resident of the Republic of Kazakhstan;

2) head of an independent structural unit of a financial organization, a branch of a bank - non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company - non-resident of the Republic of Kazakhstan, a branch of an insurance broker - non-resident of the Republic of Kazakhstan, activities which was associated with the provision of financial services;

3) the first head and his deputy, head or deputy head of an independent structural unit of the state body in the field of regulation of financial services and (or) in the field of regulation and state control in the field of audit activities of financial organizations;

3-1) a political civil servant ensuring the formation of state policy in the spheres of economics, finance or state audit and financial control;

3-2) the head and members of the management body, the head of the executive body, his deputy and members of the executive body of the national management holding, the Development Bank of Kazakhstan, a special fund for the development of private entrepreneurship, a subsidiary of the national management holding implementing the development of the direct investment market;

4) another head of a financial organization, a branch of a bank - non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company - non-resident of the Republic of Kazakhstan, a branch of an insurance broker - non-resident of the Republic of Kazakhstan, who supervised issues, related to the provision of financial services.

6. A candidate for the position of a bank executive shall not be entitled to perform the relevant functions without the consent of the authorized body.

A member of the bank's management body shall be entitled to perform the relevant functions without the consent of the authorized body for no more than sixty calendar days from the date of his election.

Executive employees of a person acquiring the status of a bank holding company shall be entitled to perform the relevant functions without the consent of the authorized body for no more than sixty calendar days from the date the person acquires the signs of a bank holding company upon receipt by the legal entity of the status of a bank holding company.

After the expiration of the period specified in this paragraph, and in case of failure to submit a complete package of documents for approval to the authorized body or refusal by the authorized body to approve, the bank shall be obliged to take measures to terminate the powers of this executive employee.

The head of the executive body of the bank (head of the branch of the bank - non-resident of the Republic of Kazakhstan), chief accountant of the bank (branch of the bank - non-resident of the Republic of Kazakhstan) shall not be entitled to hold the position of a member of the executive body (deputy head of the branch of the bank - non-resident of the Republic of Kazakhstan), chief accountant in other banks, in including those who are non-residents of the Republic of Kazakhstan, branches of a bank - a non-resident of the Republic of Kazakhstan.

The specified restriction shall not apply if banks are parent and subsidiary organizations in relation to each other.

It is prohibited to perform the duties (replace a temporarily absent) of a bank executive employee by persons who do not meet the requirements of this article and have not been agreed upon with the authorized body, except in cases where the duties of the head of the executive body of the bank are assigned to a member of the executive body of the bank or the duties of the chief accountant of the bank are assigned to the deputy chief accountant of the bank for a period of no more than thirty calendar days.

It is not permitted to assign the performance of duties (replacement of a temporarily absent) of the head of the executive body of the bank or the chief accountant of the bank to the persons specified in part seven of this paragraph, due to the absence of a candidate agreed upon with the authorized body, in total more than one hundred and eighty calendar days within twelve consecutive months.

The authorized body shall consider the documents submitted for issuing consent to the appointment (election) of the bank's executives within thirty working days from the date of submission of the full package of documents in accordance with the requirements of the regulatory legal act of the authorized body.

The authorized body shall suspend the period for consideration of documents submitted for obtaining consent to the appointment (election) of the bank's executives, when the authorized body forms a reasoned judgment in relation to these executives or candidates for the position of an executive. This period shall be suspended from the moment the draft reasoned judgment is sent to the bank or to the bank's executive officer, or to the candidate for the position of the bank's executive officer until the date when the reasoned judgment is adopted by the authorized body.

A candidate for the position of an executive employee of the bank, agreed by the authorized body, shall be entitled to be appointed (elected) to the agreed position within twelve months from the date of receipt of consent to the appointment (election) of the executive employee of the bank.

An executive employee of the bank, agreed with the authorized body, may be appointed to a similar position of an executive employee in this or another bank without obtaining the consent of the authorized body within six months from the date of termination of the powers of the executive employee of the bank, except for the case provided for by part thirteen of this paragraph, and withdrawal by the authorized body of consent to the appointment (election) to the position of an executive employee of the bank on the grounds provided for in paragraph 11 of this Article.

A member of the management body of the bank, agreed with the authorized body for the position of an independent director, within six months from the date of termination of powers, may be re-elected as an independent director without obtaining the consent of the authorized body of only this bank, subject to the requirements established by this article and

subparagraph 20) of Article 1 of the Law of the Republic of Kazakhstan “On Joint Stock Companies”.

If, after the expiration of the specified period, the notice of the appointment (election) of this executive bank employee is not submitted by the bank to the authorized body, the previously issued consent to the appointment (election) of the executive bank employee shall be considered invalid.

7. The procedure for issuing the consent of the authorized body for appointment (election) of the executive employee of the bank, a bank holding company, including the criteria for absence of impeccable business reputation, the documents necessary to obtain consent, shall be determined by the regulatory legal acts of the authorized body.

A fee shall be charged for the issuance of consent for appointment (election) of the executive employee of the bank, bank holding company, which amount and procedure of payment shall be determined by the tax legislation of the Republic of Kazakhstan.

8. The authorized body shall refuse to issue consent for appointment (election) of the bank executive employees on the following grounds:

1) non-compliance of bank executives and candidates for positions of bank executives with the requirements established by this Article, subparagraph 20) of Article 1, paragraph 4 of Article 54, paragraph 2 of Article 59 of the Law of the Republic of Kazakhstan “On Joint Stock Companies” and Article 9 of the Law of the Republic of Kazakhstan “On Accounting and Financial Reporting”;

2) negative test result.

Negative test results are:

the test result of the candidate is less than seventy percent of the correct answers;

violation by the candidate of the procedure for testing, determined by the authorized body;

non-appearance for testing at the appointed time before the expiration of the period for approval of the candidate by the authorized body;

3) non-elimination by the bank or a candidate for the position of an executive officer of the bank of the comments of the authorized body within the period established by the authorized body or submission by the bank, bank holding company or candidate for the position of the executive officer of the bank of documents finalized taking into account the comments of the authorized body after the expiration of the period of consideration established by part eight of paragraph 6 of this Article documents by the authorized body;

3-1) violation of the procedure established by the legislation of the Republic of Kazakhstan for the election (appointment) of a candidate for the position of a bank executive;

4) submission of the documents after the expiry of the term, established by paragraph 6 of this Article, during which the executive employee holds his/her position without the approval of the authorized body;

5) is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI ( shall be enforced from 01.01.2019).

6) is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

7) availability of information (facts) from the authorized body about the commission by the candidate of actions recognized as committed for the purpose of manipulating the securities market and (or) causing damage to a third party (third parties)

This requirement applies for one year from the date of the earliest of the listed events:

recognition by the authorized body of the actions of the candidate as committed for the purpose of manipulating the securities market;

receipt by the authorized body of facts confirming the infliction of damage to a third party (third parties) as a result of such actions;

8) availability of information from the authorized body that the candidate was an employee of a financial organization in respect of which the authorized body applied supervisory response measures and (or) which was imposed an administrative penalty for an administrative offense provided for in Article 259 of the Code of the Republic of Kazakhstan on Administrative Infractions, for committing actions recognized as committed for the purpose of manipulating the securities market, and (or) by an employee of a financial institution whose actions caused damage to a financial institution and (or) a third party (third parties) participating in the transaction.

This requirement applies for one year from the date of the earliest of the listed events:

recognition by the authorized body of the candidate's actions as committed for the purpose of manipulating the securities market;

receipt by the authorized body of facts confirming the damage caused by the actions of the candidate to the financial organization and (or) to a third party (third parties).

For the purposes of this of subparagraph, an employee of a financial organization means an executive employee or a person who performed his duties, and (or) a stock exchange trader , whose competence included making decisions on issues that entailed the above violations.

The information specified in subparagraphs 7) and 8) of part one of this paragraph, includes information received by the authorized body from the financial supervision authority of the state, the resident of which is a financial institution - non-resident of the Republic of Kazakhstan.

9. In case of refusal of the authorized body to issue consent to the appointment (election) of a member of the bank's management body or termination of his powers before the issuance of the said consent or failure to submit documents to the authorized body for approval within the period specified in paragraph 6 of this Article, this person may be re-appointed (elected) to the position of a member of the management body of this bank not earlier than ninety calendar days after receiving the refusal of the authorized body to issue consent to his appointment (election), termination of his powers, respectively, but not more than two times within twelve consecutive months.

The bank shall be obliged to notify the authorized body within five working days from the date of the decision of the relevant body of the bank about all changes that have occurred in the composition of executive employees, including their appointment (election), transfer to another position, termination of the employment contract and (or) termination of powers, bringing an executive to administrative responsibility for committing a corruption offense, as well as changes in the last name, first name, patronymic (if it is indicated in the identity document) of the executive with copies of supporting documents attached.

In the event that a bank executive is held criminally liable, the bank shall notify the authorized body within five working days from the date when this information became known to the bank.

If there are cases, facts and (or) circumstances that serve as the basis for the formation and use of a reasoned judgment by the authorized body in accordance with Article 13-5 of the Law of the Republic of Kazakhstan “On State Regulation, Control and Supervision of the Financial Market and Financial Organizations”, the authorized body shall send a notification to the bank about the formation of a reasoned judgment in relation to the executive employee of the bank.

The person in respect of whom a reasoned opinion is being formed shall not be entitled to take up his duties until a decision is made by the authorized body in the manner and within the time limits provided for in Article 13-5 of the Law of the Republic of Kazakhstan “On State Regulation, Control and Supervision of the Financial Market and Financial Organizations”.

The term provided for by part eight of paragraph 6 of this article shall be suspended until a decision is made by the authorized body in the manner and within the time limits stipulated by Article 13-5 of the Law of the Republic of Kazakhstan “On State Regulation, Control and Supervision of the Financial Market and Financial Organizations”.

10. In the event of two consecutive refusals of the authorized body to issue consent to the appointment (election) to the position of an executive employee of the bank:

1) documents upon approval of this person may be re-submitted to the authorized body after twelve consecutive months from the date of adoption by the authorized body of a decision on the second refusal to issue consent to his appointment (election) in this bank;

2) a member of the bank's management body may be elected as an executive employee of the bank after twelve consecutive months from the date of the decision by the authorized body on the second refusal to issue consent to his election in this bank.

11. The authorized body shall revoke the issued consent for appointment (election) to the position of the bank executive employee on the following grounds:

1) identification of false information on the basis of which the consent was issued;

2) is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).



3) application by the authorized body of the supervisory response measure specified in subparagraph 12) of paragraph 1 of Article 46 of this Law;

4) is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

5) presence of unexpunged or outstanding criminal conviction;

6) non-compliance with the requirements established by this article.

The withdrawal by the authorized body of consent to the appointment (election) of an executive employee of a bank, bank holding company shall be the basis for the withdrawal of previously issued (issued) consent(s) to this executive employee in other financial organizations, banking, insurance holding companies, branches of banks - non-residents of the Republic of Kazakhstan, branches of insurance (reinsurance) organizations - non-residents of the Republic of Kazakhstan, branches of insurance brokers - non-residents of the Republic of Kazakhstan.

The bank shall be obliged to terminate the employment contract with the executive employee of the bank or, in the absence of an employment contract, take measures to terminate the powers of the executive employee of the bank in cases:

1) withdrawal by the authorized body of consent to the appointment (election) to the position of an executive employee of the bank;

2) violation by the bank of the procedure established by the legislation of the Republic of Kazakhstan for the election (appointment) of a candidate for the position of an executive employee.

The powers of a member of the board of directors of a bank whose consent to appointment (election) to the position of an executive employee of the bank has been revoked by the authorized body shall be terminated from the moment the bank and (or) bank holding receives this response.

12. is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

13. The head and members of the management body, the head and members of the executive body of an organization carrying out certain types of banking operations must comply with the requirements established by this Article. In case of compliance with the specified requirements, the head and members of the management body, the head and members of the executive body shall be appointed (elected) to positions without the consent of the authorized body. An organization carrying out certain types of banking operations shall, at the request of the authorized body, dismiss the head and member of the management body, the head and member of the executive body in case of their non-compliance with the requirements of this article.

In the event that the authorized body applies the supervisory response measure specified in subparagraph 12) of paragraph 1 of Article 46 of this Law to the head (member) of the management body, head (member) of the executive body of an organization carrying out

certain types of banking operations, this organization shall be obliged to terminate an employment contract with this person or take measures to terminate his powers.

For the heads of the executive body of an organization that carries out certain types of banking operations, which is a subsidiary of the national managing holding in the field of the agro-industrial complex, the work experience established by subparagraph 2) of paragraph 3 of this Article shall also include work experience in social and entrepreneurial corporations.

With regard to the National Postal Operator, the requirements of this paragraph shall apply to members of the executive body whose official duties include supervising issues related to certain types of banking operations.

14. The head of the management body, his deputy and members of the management body, the head of the executive body, his deputy and members of the executive body, the chief accountant, the deputy chief accountant, other heads of the banking holding who coordinate and (or) control the activities of the subsidiary ( subsidiaries) organization (organizations) and (or) organization (organizations) in which (in which) the banking holding company has a significant participation in the capital shall be recognized as the executive employees of the bank holding.

15. The requirements of this Article shall apply to the executive employees of the bank holding company, except for the executives of bank holding companies-non-residents of the Republic of Kazakhstan, if one of the following conditions is met:

the bank holding company has an individual credit rating not lower than the A rating of one of the rating agencies, the list of which shall be established by the authorized body, as well as a written confirmation from the financial supervision authority of the country of origin of the bank holding company that it is subject to consolidated supervision;

availability of an agreement between the authorized body and the relevant supervisory body of a foreign state on the exchange of information, as well as the minimum required rating of one of the rating agencies. The minimum rating and the list of rating agencies shall be established by the regulatory legal act of the authorized body.

16. The requirements of this article, with the exception of subparagraphs 3), 4), 5) and 6) of paragraph 3 of this article, shall not apply to bank holding companies that indirectly own ( have the ability to vote, determine decisions and (or) influence decisions made by virtue of an agreement or otherwise) shares of the bank through ownership (the ability to vote, determine decisions and (or) influence decisions made by virtue of an agreement or otherwise) of shares or participation interests in the authorized capital of a bank holding company - a resident of the Republic of Kazakhstan, which directly owns (has the ability to vote, determine decisions and (or) influence decisions made by virtue of an agreement or otherwise) shares of the said bank.

**Footnote. Article 20 is in the wording of the Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); as amended by the laws of the Republic of Kazakhstan dated 25.12.2017 № 122-VI (shall be enforced from 01.01.2018);**

dated 02.07.2018 № 168-VI (the order of enforcement see Article 2); dated 03.07.2019 № 262-VI ((shall be enforced from 01.01.2020); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 02.01.2021 № 399-VI (for the procedure of enactment see Article 2); dated 01.07.2022 № 131-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 06.04.2024 № 71-VIII (comes into effect sixty calendar days after the date of its first official publication); dated 19.06.2024 № 97-VIII (comes into effect ten calendar days after the date of its first official publication).

#### **Article 21. Additional requirements to establishment of a bank with participation of non-residents of the Republic of Kazakhstan**

An individual or legal entity - non-resident of the Republic of Kazakhstan, which is a founder of the bank, in addition to the documents, specified in Article 19 of this Law, shall attach the application for a permit to open a bank with a written notice of the authorized body (for non-resident banks of the Republic of Kazakhstan - the bank supervisor body) of the corresponding state that the entity is permitted to own the shares of a resident bank of the Republic of Kazakhstan, or the application of the authorized body (for non-resident banks of the Republic of Kazakhstan - the bank supervisor body) of the corresponding state that such permission is not required in accordance with the legislation of the country of the specified founder.

An individual or legal entity - non-resident of the Republic of Kazakhstan, which is the founder of a bank established as part of the voluntary reorganization of a microfinance organization in the form of conversion into a bank, shall be additionally obliged to attach to the application for issuing a permit for the voluntary reorganization of a microfinance organization in the form of conversion into a bank a written notification of the authorized body (for banks - non-residents of the Republic of Kazakhstan - the banking supervision authority) of the relevant state that this person is allowed to own shares of a bank - resident of the Republic of Kazakhstan, or a statement from the authorized body (for banks - non-residents of the Republic of Kazakhstan - the banking supervision authority) of the relevant state that such permission under the laws of the state of the specified founder is not required.

Footnote. Article 21 is in the wording 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); as amended by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

#### **Article 22. Additional requirements for establishment and operation of banks with foreign capital**

Footnote. Article 22 is excluded - dated 23 December, 2005 No 107 (the order of enforcement see Article 2 of the Law No 107).

#### **Article 23. The order of consideration of an application for a permit to open a bank**

1. An application for a permit to open a bank must be considered by the authorized body within sixty-five working days from the date of submission of the application.

2. Notification on the issuance of a permission to open a bank shall be sent to the applicant and to the Corporation.

3. The authorized body shall keep the records of the issued permits to open a bank.

**Footnote.** Article 23 is amended by the Law of the Republic of Kazakhstan dated 11 July, 1997 No 154; dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 26.06.2020 № 349-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).

#### **Article 24. Refusal to issue permission to open a bank**

1. Refusal to issue permission to open a bank shall be made under any of the following grounds:

a) excluded by the Law of the Republic of Kazakhstan dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020);

b) non-compliance of the bank's name with the requirements of paragraphs 2-4 of Article 15 of this Law;

c) excluded by the Law of the Republic of Kazakhstan dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020);

d) the instability of the financial position of the founders of the bank. The instability of the financial situation means the presence of the signs established by paragraph 10 of Article 17-1 of this Law;

e-1) in cases where the founder - an individual or the first head of the executive body or management body of the founder - a legal entity:

has an outstanding or unexpunged criminal record;

held the position of the first head of the management body, the first head of the executive body or his deputy, chief accountant, deputy chief accountant of a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan, within a period not more than one year prior to the adoption by the authorized body or the financial supervision body of the state, the resident of which is the financial organization - non-resident of the Republic of Kazakhstan, of the decision to classify the bank as insolvent banks or to forcibly repurchase its shares, deprive the license of the financial organization, including financial organization - non-resident of the Republic of Kazakhstan, entailed their liquidation and (or) termination of activities in the financial market, or the entry into force of a court decision on the forced liquidation of a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan, or declaring it bankrupt in accordance with the procedure, established by the legislation of the Republic of Kazakhstan or the legislation of the state, the resident of which is a financial organization - non-resident of the Republic of Kazakhstan. The specified requirement shall be applied within five years

after the adoption by the authorized body or the financial supervision body of the state, the resident of which is a financial institution - non-resident of the Republic of Kazakhstan, decisions on classifying a bank as insolvent banks or forcibly repurchasing its shares, revoking the license of a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan, resulting in their liquidation and (or) termination of activities in the financial market, or the entry into force of a court decision on the forced liquidation of a financial organization, including a financial organization - non-resident of the Republic of Kazakhstan, or declaring it bankrupt in accordance with the procedure, prescribed by the legislation of the Republic of Kazakhstan or the legislation of the state, the resident of which is a financial institution - non-resident of the Republic of Kazakhstan, in the manner. For the purposes of this subparagraph, a financial organization also means a branch of a bank - non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company - non-resident of the Republic of Kazakhstan, a branch of an insurance broker - non-resident of the Republic of Kazakhstan;

e-2) failure to comply with the requirements of Article 17-1 of this Law;

f) failure to comply with the restrictions imposed by Article 17 of this Law;

f-1) refusal to issue consent by the authorized body to acquire the status of a major participant in a bank , bank holding company ;

f-2) refusal to issue permission to create (acquire) a bank subsidiary;

g) *(Is excluded – by the Law of the Republic of Kazakhstan dated 23.10.2008 No 72 -IV ( shall be enforced from 01.01.2009);*

h) *(Is excluded - dated 23 December, 2005 No 107 (the order of enforcement see Article 2 of the Law No 107);*

j) the business plan of the newly established bank and other documents, submitted by the applicant, do not confirm that:

upon expiry of the first three financial (operational) years the bank's activity will be profitable;

the bank intends to comply with the requirements to limit risk and to establish an appropriate management structure;

the bank has the organizational structure, meeting the plans of its activities;

the bank has accounting and control structure, meeting the plans of its activities.

2. The authorized body shall notify the applicant of the grounds for refusal in a written form.

3. Issuance of the permission to open a bank shall not be permitted in case of non-compliance with the provisions of Articles 18-21 of this Law.

**Footnote. Article 24as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 23.12.2005 No 107 (the order of enforcement see Article 2 of the Law No 107); dated 12.01.2007 No 222 (shall be enforced upon expiry of six months from the date of its official**



publication); dated 23.10.2008 No 72 -IV (the order of enforcement see Article 2); dated 05.07.2012 No 30 - V (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 12.07.2022 № 138-VII ( shall be enforced upon expiry of sixty calendar days after its first official publication).

## **Article 25. State registration of a bank, re-registration of a microfinance organization into a bank**

Footnote. The heading of Article 25 as amended by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

The state registration of the bank is carried out by the Corporation on the basis of the permission of the authorized body to open the bank.

The state re-registration of a microfinance organization into a bank as part of the voluntary reorganization of a microfinance organization in the form of conversion into a bank shall be carried out by the Corporation on the basis of the permission of the authorized body for the voluntary reorganization of a microfinance organization in the form of conversion into a bank and a report approved by it on the implementation of measures provided for by the action plan for the conversion of a microfinance organization into a bank.

A bank established as a result of voluntary reorganization of a microfinance organization in the form of conversion into a bank shall be the successor of all its rights (claims) and obligations.

Footnote. Article 25 is in the wording of the Law of the Republic of Kazakhstan dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019); dated 25.11.2019 № 272-VI ( shall be enforced from 02.01.2020); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

## **Article 26. Licensing of banking and other operations**

Footnote. The title of Article 26 as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication).

1. Licenses for carrying out banking, as well as other operations established by this Law, shall be issued by the authorized body or the National Bank of the Republic of Kazakhstan within its competence and in accordance with the procedure, determined by the authorized body or the National Bank of the Republic of Kazakhstan, in accordance with the requirements of this Law.

Licenses for carrying out banking, as well as other operations, provided for by Article 52-5 of this Law, shall be issued by the authorized body only to the Islamic banks.

Licenses for carrying out banking operations, provided for by subparagraphs 1), 2), 3), 4), 5) and 6) of paragraph 1 of Article 52-5 of this Law, shall be issued by the authorized body only to the branches of non-resident Islamic banks of the Republic of Kazakhstan.

Licenses to a branch of a non-resident bank of the Republic of Kazakhstan to conduct banking and other operations shall be issued by the authorized body if a non-resident bank of the Republic of Kazakhstan has a valid license to conduct essentially similar banking and other operations issued by the authority financial supervision of the state, the resident of which is the non-resident bank of the Republic of Kazakhstan.

The authorized body, when issuing or reissuing a license, shall have the right to specify the names of operations permitted for implementation by banks and (or) organizations engaged in certain types of banking operations, in accordance with the legislation of the Republic of Kazakhstan.

A fee is charged for issuing a license, the amount and procedure for payment of which shall be determined by the legislation of the Republic of Kazakhstan.

2. Within one year from the date of issuance of permission to open a bank, the applicant must complete all organizational and technical measures, including preparing the premises, equipment and software for automating accounting and the general ledger that meet the requirements of regulatory legal acts of the authorized body and the National Bank of the Republic of Kazakhstan, hire appropriate personnel, approve the rules for banking and other activities and apply to the authorized body to obtain a license to conduct banking and other operations.

The bank shall be obliged to ensure the presence in the locality where the executive body of the bank is located, its own premises with centralized access to the automated banking information system, the requirements for which are provided for by the regulatory legal act of the authorized body.

A bank - non-resident of the Republic of Kazakhstan shall be obliged to ensure the presence in the territory of the Republic of Kazakhstan of its own premises of a branch of a bank - non-resident of the Republic of Kazakhstan with a data processing center (server), the requirements for which are provided for by the regulatory legal act of the authorized body.

2-1. List of documents required for legal entities - residents of the Republic of Kazakhstan to obtain a license to conduct banking and other operations for the first time:

- 1) application;
- 2) a copy of the statutes of the applicant (notarized in case of failure to submit the originals for verification);
- 3) a document confirming the payment of a license fee to the budget for the right to engage in certain types of activities, except for cases of payment through the payment gateway of "electronic government";
- 4) documents of persons proposed for positions of bank executives, in accordance with the requirements of Article 20 of this Law;
- 5) regulations on the internal audit service, credit committee, approved by the board of directors of the bank;

6) staff list indicating the surnames, names and patronymics (if they are indicated in the identity document) of employees;

7) copies of documents, confirming the payment of the authorized capital, the minimum amount of which is established by the regulatory legal act of the authorized body;

8) documents confirming the fulfillment of the requirements of paragraph 2 of this Article, in accordance with the procedure prescribed by regulatory legal acts of the authorized body.

2-2. List of documents required for obtaining a license for banking and other operations for the first time by a branch of a bank - non-resident of the Republic of Kazakhstan:

1) documents confirming the fulfillment of the requirements of paragraph 2 of this Article, in accordance with the procedure prescribed by regulatory legal acts of the authorized body;

2) documents, provided for in subparagraphs 1), 3), 4) and 6) of paragraph 2-1 of this Article;

3) a document confirming the formation of assets accepted as a reserve, in accordance with part two of paragraph 6 of Article 42 of this Law;

4) regulations on the internal audit service, credit committee, approved by the board of directors of a bank - non-resident of the Republic of Kazakhstan.

2-3. Within one year from the date of issuance of the permission of the authorized body for the voluntary reorganization of a microfinance organization in the form of conversion into a bank in accordance with the Law of the Republic of Kazakhstan “On microfinance activity” the applicant must complete all the organizational and technical measures provided for in paragraph 2 of this Article, and no later than thirty calendar days before the expiration of the conversion period specified in the permission of the authorized body, apply to the authorized body to obtain a license to conduct banking and other operations.

3. To obtain a license for conducting additional banking and other operations, the current bank must:

1) ensure compliance with prudential standards for three consecutive months prior to applying for a license to conduct additional banking operations;

2) ensure availability of risk management and internal control systems that meet the requirements of the authorized body;

3) submit the rules on general conditions for conducting additional types of banking operations.

**4. Excluded by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).**

5. An application for a license to conduct banking and other operations must be considered by the authorized body or the National Bank of the Republic of Kazakhstan within thirty working days from the date of submission of documents that meet the requirements of the legislation of the Republic of Kazakhstan.

An application for a license to conduct banking and other operations, submitted as part of a voluntary reorganization of a microfinance organization in the form of conversion into a



bank, must be considered by the authorized body within ten working days from the date of submission of documents that meet the requirements of the legislation of the Republic of Kazakhstan.

Application for reissuance of a license, except for the cases provided for in Article 34 of the Law of the Republic of Kazakhstan “On Permissions and Notifications”, must be considered by the authorized body within fifteen working days from the date of submission of documents that meet the requirements of the legislation of the Republic of Kazakhstan.

6. The license for conducting banking and other operations in national and (or) foreign currency shall be issued for an unlimited period.

7. The license for conducting banking and other operations shall not be transferable to third parties.

8. All types of banking and other operations can be carried out only if there is a direct indication in the license for the right to conduct them.

9. The decision to grant a license to conduct banking and other operations shall be posted on the Internet resource of the authorized body or the National Bank of the Republic of Kazakhstan in Kazakh and Russian.

10. A duly certified copy of the license for conducting banking and other operations shall be subject to placement in a place accessible for viewing to the bank’s customers.

**Footnote.** Article 26 is in the wording of Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 166-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (entry into force see Article 2); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

## **Article 27. Grounds for refusal to issue a license to conduct banking or other operations**

1. Refusal to issue a license to conduct a banking or another operation is made in the following cases:

1) non-compliance with any of the requirements established by paragraphs 2 and 3 of Article 26, paragraph 5 of Article 52-17 of this Law;

2) failure of the banking conglomerate, which includes the bank, to comply with the established prudential standards and other mandatory standards and limits within six months prior to the application submission;

2-1) failure to meet the requirement to form assets of a branch of a non-resident bank of the Republic of Kazakhstan, accepted as a reserve, in accordance with part two of paragraph 6 of Article 42 of this Law;

2-2) lack of a valid license on the part of a non-resident bank of the Republic of Kazakhstan for the conduct an essentially similar banking or other operation issued by the financial supervisory authority of the state of which the non-resident bank of the Republic of Kazakhstan is a resident;

3) inconsistency of the size, composition and structure of the authorized capital of the bank with the requirements of Article 16 of this Law;

4) inconsistency of the submitted documents with the requirements of the legislation of the Republic of Kazakhstan;

5) non-compliance of an executive employee of a legal entity wishing to obtain a license to conduct certain types of banking operations with the requirements of Article 20 of this Law , non-approval of an executive from among the candidates proposed for appointment (election ) (for a newly created bank, opened branch of a non-resident bank of the Republic of Kazakhstan);

6) failure to meet the requirement, specified in paragraph 1-1 of Article 20 of this Law, on the presence among the executives of a branch of a non-resident bank of the Republic of Kazakhstan of at least two senior executives-residents of the Republic of Kazakhstan.

2. B in the event of a refusal to issue a license, except for the case established by paragraph 3 of this Article, the applicant shall eliminate the inconsistencies and shall reapply for a license with the submission of corrected documents, on the basis of which the refusal to issue a license was sent.

3. In the event of a refusal to issue a license on the grounds provided for in subparagraph 5) of paragraph 1 of this Article, the applicant shall eliminate inconsistencies and shall reapply for a license with the submission of documents of persons proposed for positions of bank executives, in accordance with the requirements of Article 20 of this Law instead of persons, whose approval was denied.

**Footnote. Article 27 as amended by the Law of the Republic of Kazakhstan dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); as amended by the Law of the Republic of Kazakhstan dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).**

#### **Article 28. Changes and amendments to the constituent documents of a bank**

1. *Is excluded by the Law of the Republic of Kazakhstan dated 05.07.2012 No 30 -V ( shall be enforced upon expiry of ten calendar days after its first official publication.)*

2. *Is excluded by the Law of the Republic of Kazakhstan dated 05.07.2012 No 30 -V ( shall be enforced upon expiry of ten calendar days after its first official publication.)*

2-1. After the state registration of changes and (or) additions made to the constituent documents requiring re-registration in the Corporation, the bank shall, within fourteen

calendar days from the date of re-registration, submit to the authorized body a notarized copy of the changes and (or) additions to the constituent documents with the mark and seal of the Corporation.

In case of making changes and (or) additions to the constituent documents that do not require re-registration, the bank shall, within fourteen calendar days from the date of the Corporation's mark on acceptance of the bank's letter, submit to the authorized body a copy of this letter of the bank, as well as a notarized copy of the changes and (or) additions to the constituent documents.

3. Conditions, grounds and the order of voluntary reorganization of the bank into the organization, performing certain types of banking transactions, shall be determined by the regulatory legal acts of the authorized body.

**Footnote. Article 28 as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 16.07.1999 No 436; dated 02.03.2001 No 162 (see Art. 2); dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019) .**

#### **Article 29. Establishment, closure of branches and representative offices of banks**

1. Resident bank of the Republic of Kazakhstan on the basis of a decision of the board of directors of the bank without the consent of the authorized body shall have the right to open its subdivisions - branches and representative offices on the territory of the Republic of Kazakhstan and out of it.

2. The bank within thirty working days from the date of registration of its branch and representative office in the Corporation shall notify the authorized body in writing about their opening with attachment:

**1) is excluded by the Law of the Republic of Kazakhstan dated 16.05.2014 № 203-V ( shall be enforced upon expiry of six months after its first official publication);**

2) a notarized copy of the regulation on the branch or representative office with the mark and seal of the Corporation;

**3) Is excluded by the Law of the Republic of Kazakhstan dated 05.07.2012 No 30 -V ( shall be enforced upon expiry of ten calendar days after its first official publication);**

4) a notarized copy of power of attorney, issued to the first head of a branch or representative office.

3. Consent of the local representative and executive bodies shall not be required for establishment, closure of a branch or representative office in the territory of the Republic of Kazakhstan.

4. A branch of a bank shall be a separate subdivision of the bank, which is not a legal entity, located outside the bank, conducting the banking activities on behalf of the bank and

acting within the powers, vested to it by the bank. A bank's branch shall have a single balance with the bank, as well as the name which is identical to the name of the bank.

A bank branch shall have the right to have premises located at several addresses within the same region.

A bank branch located in the capital and (or) city of republican significance shall have the right to have premises located at several addresses:

in the capital and (or) city of republican significance;

within the area adjacent to the capital (city of republican significance).

5. A representative office shall be a separate subdivision of the bank, which is not a legal entity, located outside the bank, acting on behalf of and for the bank and not conducting banking activities.

6. A prerequisite for opening branches by a bank, increasing the number of additional premises of branches, including those located at several addresses, shall be non-applying of this Law, as well as administrative penalties for administrative infractions provided for in parts six, seven, eight and ninth of Article 213, part one of Article 227 of the Code of the Republic of Kazakhstan on administrative infractions by the authorized body or court to the bank within three months preceding the date of registration of the branch in the Corporation or the date of the decision of the bank on increasing the number of additional premises of the operating branch of the bank, including those located at several addresses..

In the event of an increase in the number of additional premises of a branch of a non-resident bank of the Republic of Kazakhstan, the requirement to fulfill the mandatory condition provided for in part one of this paragraph shall apply to the branch of a non-resident bank of the Republic of Kazakhstan.

7. A resident bank of the Republic of Kazakhstan shall have the right to open representative offices if it had break-even operation for the last completed financial year.

8. When making changes and (or) additions to the regulations on the branch, representative office requiring accounting re-registration in the Corporation, the bank-resident of the Republic of Kazakhstan shall be obliged within thirty working days from the date of accounting re-registration in the Corporation to submit to the authorized body a notarized copy of changes and (or) additions to the regulations on the branch, representative office.

When making changes and (or) additions to the regulations on the branch, representative office, not requiring accounting re-registration in the Corporation, the bank-resident of the Republic of Kazakhstan shall, within thirty working days from the date of mark of the Corporation on acceptance of the bank's letter, submit to the authorized body a copy of the specified bank's letter, notarized copies of changes and (or) additions to the regulations on the branch or representative office.

In case of an increase in the number of additional premises of a bank branch, a decrease in the number of premises of a bank branch or a change in the location of the premises of a bank branch, the bank shall be obliged, within thirty working days from the date the bank makes a

decision on increasing the number of additional premises of a bank branch, reducing the number of premises of a bank branch or changing the location of the premises of a branch of the bank to submit to the authorized body an extract from such a decision containing the addresses of the indicated premises of the bank's branch.

In case of an increase in the number of additional premises of a branch of a bank - a non-resident of the Republic of Kazakhstan, a decrease in the number or a change in the location of its premises, a branch of a bank - non-resident of the Republic of Kazakhstan shall be obliged, within thirty working days from the date of adoption by the branch of a bank - non-resident of the Republic of Kazakhstan of a decision on increasing the number of additional premises of a bank branch - non-resident of the Republic of Kazakhstan, reducing the number of premises of a branch of a bank - non-resident of the Republic of Kazakhstan or changing their location, to submit to the authorized body an extract from such a decision of the branch containing the addresses of the indicated premises of the branch of the bank - a non-resident of the Republic of Kazakhstan.

8-1. A resident bank of the Republic of Kazakhstan shall have the right to open a branch outside the Republic of Kazakhstan only if there is an agreement between the authorized body and the relevant supervisory body of a foreign state for the information exchange.

9. In case of opening of branches and representative offices outside the Republic of Kazakhstan, within thirty calendar days from the date of registration in the relevant state body, in a written form, the resident bank of the Republic of Kazakhstan shall notify the authorized body of their opening and attach the documents, confirming registration of the relevant body of the state.

10. A non-resident bank of the Republic of Kazakhstan shall have the right to open its representative office without the consent of the authorized body.

11. The representative office of a bank-non-resident of the Republic of Kazakhstan within thirty working days from the date of registration in the Corporation shall notify the authorized body in writing about opening with attachment:

1) is excluded by the Law of the Republic of Kazakhstan dated 16.05.2014 № 203-V (shall be enforced upon expiry of six months after its first official publication);

2) a notarized copy of the provision on the representative office with a mark and seal of the judicial body that registered it;

3) a written confirmation of the banking supervisory body of the relevant state that the non-resident bank of the Republic of Kazakhstan has a valid license for banking activities;

4) a written notice from the banking supervisory body of the relevant state that it had no objections to the opening of a representative office of non-resident bank of the Republic of Kazakhstan in the Republic of Kazakhstan, or the statements of the bank supervisory body or the State Legal Service authority of the state that such permission is not required in compliance with the legislation of the state of the non-resident bank of the Republic of Kazakhstan;

5) a notarized power of attorney for the head of the representative office of the bank.

12. The opening of branches of non-resident banks in the Republic of Kazakhstan shall be allowed under the conditions provided for by this Law.

13. The representative office of a bank - non-resident of the Republic of Kazakhstan shall be obliged, within thirty working days from the date of record re-registration with the Corporation, to notify the authorized body of changes and (or) additions to the position on the representative office, attaching copies of these documents.

In case of amendments and (or) additions to the provision on the representative office that do not entail accounting re-registration, the representative office of a bank - non-resident of the Republic of Kazakhstan shall be obliged, within thirty working days from the date of receipt by the Corporation of the application (electronic notification) and documents on the amendments and (or) additions, to submit to the authorized body a document confirming their acceptance, and notarized copies of amendments and (or) additions to the provision on representation.

14. The bank within thirty working days from the date of accounting re-registration of its branch and (or) representative office in the Corporation (appropriate registering body of the state at termination of activities of a branch or representative office outside the Republic of Kazakhstan) shall notify the authorized body about termination of their activity with application a notarized copy of the document of the Corporation (appropriate registering body of the state – upon termination of the activity of a branch or representative office outside the Republic of Kazakhstan), confirming the deregistration of the branch and (or) representative office of the bank.

15. The authorized body shall require to close a branch or additional premises of a branch or a representative office of a resident bank and an additional premises of a branch or a representative office of a non-resident bank of the Republic of Kazakhstan in case of non-compliance with the requirements of paragraphs 6, 7, 8-1, 11 и 13 of this Article.

The authorized body shall apply supervisory response measures to the bank in case of non-compliance with the requirements of 11, 8, 9 and 14 of this Article.

16. The requirements of paragraphs 6 and 7 of this Article shall not apply to the bank in connection with opening of branches and (or) representative offices by it and (or) an increase in the number of additional premises of existing branches, including those located at several addresses, as a result of conducting an operation provided by Articles 61-4 and 61-11 of this Law, as well as at reorganization of a bank in the form of accession of another bank to it.

**Footnote. Article 29 is in the wording by the Law of the Republic of Kazakhstan dated 23.12.2005 No 107 (the order of enforcement See Art. 2 of the Law No 107); as amended by the Law of the Republic of Kazakhstan dated 19.02.2007 No 230 (the order of enforcement See Art. 2); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.12.2012 No 60 -V (shall be**



enforced upon expiry of ten calendar days after its first official publication.); dated 16.05.2014 № 203-V (shall be enforced upon expiry of six months after its first official publication); dated 05.07.2014 № 236-V (shall be enforced from 01.01.2015); dated 27.04.2015 № 311-V (shall be enforced from 01.09.2014); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (entry into force see Article 2); dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 24.11.2015 № 422-V (for the procedure of enactment see art. 2); dated 03.07.2020 № 359-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

Chapter 3 (The title of Chapter 3 is excluded by the Law of the Republic of Kazakhstan dated 8 July, 2005 No 72 (the order of enforcement see Article 2)).

### **Article 30. Banking activity**

1. The banking activity shall be the performance of banking and other operations by the banks, specified in this Article.

2. Banking operations shall include:

- 1) deposit taking, opening and maintaining the bank accounts of legal entities;
- 2) deposit taking, opening and maintaining the bank accounts of individuals;
- 3) opening and maintenance of correspondent accounts of banks and organizations, engaged in certain types of banking transactions;
- 4) opening and maintenance by the banks of the precious metal accounts of individual and legal entities, reflecting the physical quantity of refined precious metals and precious metal coins, owned by the entity;
- 5) cash transactions: taking and issuing by the banks and the National Post of cash, including the exchange, counting, sorting, packing and storage;
- 6) transactions: implementation of the instructions of individual and legal entities on payments and money transfers. A license for the transfer operations shall be issued to the banks and legal entities, referred to in paragraph 6-1 of this Article;
- 7) accounting operations: discounting bills (discount) and other debt obligations of individual and legal entities;
- 8) bank loan operations: provision by a bank, a mortgage organization, an organization that is not a bank, engaged in brokerage and (or) dealer activities in the securities market, or organizations engaged in lending to agro-industrial complex entities, one hundred percent of the voting shares of which directly or indirectly belong to the national managing holding, loans in cash on the terms of payment, urgency and repayment;

9) exchange operations with foreign currency, including exchange operations with foreign currency in cash;

10) *(Is excluded – dated 12 January, 2007 No 222)*

11) *(Is excluded - dated 12 January, 2007 No 222)*

12) collection of banknotes, coins and valuables;

13) taking the documents for collection (except for the bills);

14) opening (issuance) and confirmation of the letter of credit and fulfillment of obligations thereunder;

15) issuance of bank guarantees by the banks, providing execution in the monetary form;

16) issuance of bank guarantees and other obligations by the bank for the third parties, providing execution in the monetary form.

2-1. The banking activity of a branch of a non-resident bank of the Republic of Kazakhstan shall be the implementation by a branch of a non-resident bank of the Republic of Kazakhstan of banking and other operations specified in subparagraphs 1), 2), 3), 4), 5), 6), 7), 8), 12), 13), 14), 15) and 16) of paragraph 2, subparagraphs 1), 2), 3), 4), 6), 7), 8) and 9) of paragraph 11 of this Article.

A branch of a non-resident bank of the Republic of Kazakhstan, with a license from an authorized body, shall have the right to carry out in the territory of the Republic of Kazakhstan the types of professional activities in the securities market specified in subparagraphs 1) and 2) of paragraph 12 of this Article.

3. Banking operations do not include activities related to the provision of microcredits by organizations carrying out microfinance activities in accordance with the legislation of the Republic of Kazakhstan on microfinance activities.

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

5. A license for banking and other transactions, specified in this Article, shall be issued by the authorized bodies to the banks.

Banking operations provided by sub-paragraphs 1), 3), 5), 9) and 12) of paragraph 2 of this Article shall be carried out by the National postal operator without a license of the authorized body.

6. Carrying out one or several types of banking operations provided for in paragraph 2 of this article may be carried out by an organization carrying out certain types of banking operations, subject to a license from an authorized body or the National Bank of the Republic of Kazakhstan, except for the following cases:

1) when the law of the Republic of Kazakhstan regulating the activities of such an organization provides for the possibility of performing these operations without a license;

2) when the banking operations provided for by subparagraph 8) of paragraph 2 of this article are carried out by subsidiaries of banks that acquire doubtful and bad assets of the



parent bank, as well as by an organization specializing in improving the quality of loan portfolios of second-tier banks, without a license.

A license to organizations carrying out certain types of banking operations to conduct banking operations provided for in paragraph 2 of this article is issued by an authorized body or the National Bank of the Republic of Kazakhstan, except for the cases provided for in paragraph 7 of this article.

A license for a banking operation provided for by subparagraph 9) of paragraph 2 of this article is issued to organizations carrying out certain types of banking operations:

in terms of exchange transactions with foreign currency in cash - to legal entities operating exclusively through exchange offices;

in terms of exchange operations with non-cash foreign currency - to other organizations.

6-1. The banking operation provided by subparagraph 6) of paragraph 2 of this Article shall be carried out by the stock exchange, the clearing organization, carrying out the functions of the central counterparty, the central depository in the presence of the license of the authorized body for carrying out banking operations provided by subparagraphs 1) and (or ) 3) of paragraph 2 of this Article at the specified legal entities, as well as by the operating center of the interbank money transfer system.

Other legal entities shall carry out banking transactions, provided by subparagraphs 1) and 6) of paragraph 2 of this Article, within the limits, imposed by the Laws of the Republic of Kazakhstan.

Organizations that are not banks carrying out brokerage and (or) dealer activities in the securities market shall have the right to carry out certain types of banking operations on the basis of the relevant licenses of the authorized body in the manner prescribed by the legislation of the Republic of Kazakhstan on the securities market.

7. The banking operation provided for by subparagraph 6) paragraph 2 of this article is carried out without a license from an authorized body by state bodies, the National Post Operator, as well as the Development Bank of Kazakhstan in accordance with the laws of the Republic of Kazakhstan governing their activities.

The banking operation provided for by subparagraph 6) of paragraph 2 of this article shall be carried out without a license from an authorized body by an organization registering transactions with securities on the territory of the Astana International Financial Center, for settlements under transactions with financial instruments concluded on the stock exchange of the International Financial Center "Astana".

7-1. Legal entities whose exclusive activity is the collection of banknotes, coins and valuables on the basis of a license from the National Bank of the Republic of Kazakhstan are prohibited from engaging in other types of activities (operations), with the exception of recounting, sorting, packing, storing banknotes, coins and valuables, as well as their issuance to banks and their clients on behalf of banks.

8. The licensing procedure of banking operations and other transactions, performed by banks under this Article, shall be established by the regulatory legal act of the authorized body.

9. The procedure for licensing banking operations carried out by organizations carrying out certain types of banking operations provided for by this article shall be established by regulatory legal acts of the authorized body and the National Bank of the Republic of Kazakhstan within their competence.

10. Regulatory legal acts of the authorized body and the National Bank of the Republic of Kazakhstan may establish additional requirements for banks and organizations engaged in certain types of banking operations related to their obtaining licenses for certain types of activities.

11. Banks, in addition to the banking transactions, provided for in paragraph 2 of this Article, shall be entitled to perform the following transactions if the license of the authorized body is provided:

1) acquisition, acceptance for pledge, registration, storage and sale of the refined precious metals (gold, silver, platinum and platinum group metals) in bars, coins, made of the precious metals;

2) acquisition, acceptance for pledge, registration, storage and sale of jewelry, containing precious metals and precious stones;

3) transactions with the bills: acceptance of bills for collection, rendering of the services for payment of bills by the payer, and payment of domiciled bills, the acceptance of bills through mediation;

4) leasing activities;

5) issuance of own securities (with the exception of shares);

6) factoring transactions: acquisition of rights to demand payment from the buyer of goods (works, services) with non-payment risk assumption;

7) forfeiting (forfeiting) transactions: payment of the debt obligations of the buyer of the goods (works, services) through the discount without recourse;

8) fiduciary operations: management of money, rights of claim for bank loans and refined precious metals in the interests and on behalf of the principal;

9) safe operations: services for storage of securities issued in documentary form, documents and valuables of clients, including the lease of safe boxes, cabinets and premises.

12. Banks shall be entitled to perform the following types of professional activities in the securities market:

1) brokerage activity –with the state securities of the Republic of Kazakhstan and the countries that have a minimum required rating of one of the rating agencies, or without it under the decision of the authorized body, derivative securities and derivative financial instruments, the list and the order of acquisition of the basic assets of which are determined by the authorized body;

2) dealer activity—with the state securities of the Republic of Kazakhstan and the countries that have a minimum required rating of one of the rating agencies, or without it under the decision of the authorized body, as well as derivative securities and derivative financial instruments, the list and the order of acquisition of the basic assets of which are determined by the authorized body, other securities, in the cases, established by Article 8 of this Law;

3) custodian activity;

4) transfer-agent activity.

A license for performing by the banks of one or more of the above-specified compatible types of professional activity in the securities market shall be issued by the authorized body.

The list of the rating agencies and the minimum required rating, specified in subparagraphs 1) and 2) of this paragraph shall be determined by the authorized body.

A bank that meets the criteria established by the regulatory legal act of the authorized body shall exercise brokerage activities based on a license in accordance with the legislation of the Republic of Kazakhstan on the securities market without taking into account the provisions of subparagraph 1) of part one of this paragraph.

12-1. Banks and organizations carrying out certain types of banking operations have the right to collect copies of identification documents of non-residents for the purposes provided for by this Law.

13. Banking operations, provided in subparagraph 2) paragraph 2 of this Article shall be performed by banks only that are the members of the obligatory deposit insurance system, as well as the National Post in accordance with the legislative act of the Republic of Kazakhstan, regulating its activity, based on the license, issued by the authorized body.

In addition to the condition provided for in part one of this paragraph, the condition for branches of banks - non-residents of the Republic of Kazakhstan to carry out banking operations provided for in subparagraph 2) of paragraph 2 of this article is the acceptance from an individual of a deposit of no less than an amount equal to one hundred twenty thousand US dollars.

Banks (excluding the banks, more than fifty percent of the placed shares of which directly or indirectly belong to the state and (or) the national managing holding), not having a parent bank or bank holding company, having minimal required rating of one of the rating agencies, which list is established by regulatory legal act of the authorized body or a major participant – individual shall not have the right to conduct banking operations, provided by subparagraph 2 ) of paragraph 2 of this Article.

14. The provisions of this Article shall apply to the activities of Islamic banks to the extent not contrary to the requirements, set out to the Islamic banks, specified in Article 52-1 of the Law.

**Footnote. Article 30 is in the wording by the Law of the Republic of Kazakhstan dated 23.12.2005 No 107 (the order of enforcement See Art. 2 of the Law No 107); dated 07.07.2006 No 178 (shall be enforced on the day of its official publication); as amended by**

the Laws of the Republic of Kazakhstan dated 12.01.2007 No 222 (shall be enforced upon expiry of six months from the date of its official publication); dated 23.10.2008 No 72 -IV (the order of enforcement see Art. 2); dated 10.12.2008 No 101 -IV (shall be enforced on 01.01.2009); dated 12.02.2009 No 133 -IV (the order of enforcement see Art. 2); dated 13.02.2009 No 135 -IV (the order of enforcement see Art. 3); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); dated 01.03.2011 No 414 -IV (shall be enforced from 01.01.2010); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 26.11.2012 No 57 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 16.05.2014 № 203-V (shall be enforced upon expiry of six months after its first official publication); dated 27.04.2015 № 311-V (shall be enforced from 01.01.2015); dated 24.11.2015 № 419-V (shall be enforced from 01.01.2016); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 09.04.2016 № 499-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 29.03.2016 № 479-V (shall be enforced upon expiry of twenty-one calendar days after its first official publication); dated 26.07.2016 № 12-VI (shall be enforced upon expiry of thirty calendar days after its first official publication); dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 166-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 27.12.2021 № 87-VII (shall be enforced ten calendar days after the day of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 11.12.2023 № 44-VIII (shall be enforced upon expiration of sixty calendar days after the day of its first official publication); dated 19.06.2024 № 97-VIII (comes into effect ten calendar days after the day of its first official publication).

### **Article 31. General requirements to the transactions, performed by banks**

1. Banks shall be entitled to carry out banking activities only in the presence of rules, defining the general terms of operations and the internal rules.

1-1. Is excluded by the Law of the Republic of Kazakhstan dated 29.03.2016 № 479-V (shall be enforced upon expiry of twenty-one calendar days after its first official publication).

2. The rules on general terms of operations shall be approved by the board of directors of the bank and shall contain the following information and procedures:

- 1) the maximum amounts and time limits of the deposits received and the loans allocated;
- 2) the maximum interest rates of remunerations on deposits and loans;

- 3) the terms of paying the remunerations on deposits and loans;
- 4) the requirements to the security, accepted by the bank;
- 5) limit values of rates and tariffs for conducting banking operations;
- 6) deadlines for decision making on rendering the banking services;
- 7) the procedure of considering the customers' appeals, appearing after rendering the banking services;
- 8) the rights and liabilities of the bank and its customer, and their responsibility;
- 9) the rights and obligations of an Islamic bank and its client, the conditions of performing the banking transactions of an Islamic bank and the associated risks;
- 10) the provision on the order of work with the clients;
- 11) other conditions, requirements and restrictions that may be included in the general terms for operations by the board of directors.

The rules on general terms of operations shall have to comply with the order of rendering the banking services and consideration of the customers' requests by the banks and organizations, engaged in certain types of banking operations, appearing during the rendering of the banking services, established by the regulatory legal act of the authorized body.

2-1. The rules on general terms of operations of an Islamic bank shall be approved by the board of directors of the Islamic bank, taking into account the requirement, provided by paragraph 3 of Article 52-2 of this Law.

3. The internal rules of the bank shall define:

- a) the structure, tasks, functions and powers of the branches of the bank;
- b) the structure, objectives, functions and powers of the internal audit service, credit committee and other regular bodies;
- c) the rights and duties of the heads of the departments;
- g) the powers of the officials and employees of the bank when performing transactions on its behalf and at its expense.

**4. is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI ( shall be enforced from 01.01.2019).**

5. The bank shall be liable for wrongful actions (inaction) of the person rendering services to the bank on the basis of the contract (agreement) on attraction the clients, on carrying out checks for compliance with the requirements of the bank, transfer of the clients' documents to the bank (hereinafter – a person rendering services to the bank) on the conditions of the relevant contract (agreement) of the bank with the specified person.

A contract (agreement) between the bank and the person rendering services to the bank, subject to presentation to the client for review and shall contain the bank's liability for misconduct of the person rendering the bank services specified in part one of this paragraph, before the client.

The order of the activities of the person, rendering services to the bank on the basis of a contract (agreement) between the bank and the person rendering services to the bank, shall be

established by the rules of rendering services to the bank on attraction the clients, carrying out checks for compliance with the requirements of the bank, transfer of the clients' documents to bank approved by the authorized body.

Footnote. Article 31, as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 16.07.1999 No 436; dated 16.05.2003 No 416; dated 19.02.2007 No 230 (the order of enforcement See Art. 2); dated 23.10. 72 No 2008 -IV (the order of enforcement see Art. 2); dated 12.02.2009 No 133 -IV (the order of enforcement see Art. 2); dated 10.02.2011 No 406 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 16.05.2014 № 203-V (shall be enforced upon expiry of six months after its first official publication); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 29.03.2016 № 479-V (shall be enforced upon expiry of twenty-one calendar days after its first official publication); dated 09.04.2016 № 499-V (shall be enforced upon expiry of ten calendar days after its first official publication ); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

#### **Article 31-1. Notification on approval of financial products by the bank, an organization carrying out certain types of banking operations**

The bank, an organization, carrying out certain types of banking operations, shall notify the authorized body on approval of financial products by the body of the bank, organization, carrying out certain types of banking operations, authorized for approval of financial products within ten working days from the date of their approval.

The list of financial products, about the approval of which, the bank, organization, carrying out certain types of banking operations, shall notify the authorized body, the order of notification of the authorized body on approval of financial products of the bank, organization , carrying out certain types of banking operations, as well as the list of documents attached to the notification, shall be determined by the regulatory legal acts of the authorized body".

Footnote. Chapter 3 is supplemented by Article 31-1 in accordance with the Law of the Republic of Kazakhstan dated 16.05.2014 № 203-V (shall be enforced upon expiry of six months after its first official publication); is in the wording of the Law of the Republic of Kazakhstan dated 29.03.2016 № 479-V (shall be enforced upon expiry of twenty-one calendar days after its first official publication).

#### **Article 32. Bank's obligations on disclosure of general conditions of transactions**

1. Terms and conditions of making transactions shall be the public information and may not be a commercial or bank secrecy.

This regulation shall not apply to the conditions of performing a specific transaction, which, in accordance with this Law, is related to the bank secrecy or assigned by the bank to the category of commercial secrets in accordance with the applicable law.



2. At the request of a client, the banks shall be required to provide the Rules on general conditions of making transactions.

3. Banks shall have no right to refuse the client to provide information on the possible risks, associated with performing the operations.

4. *(Is excluded - dated 19 February, 2007 No 230 (the order of enforcement see Article 2)).*

5. Islamic banks shall be obliged to explain the clients the particularities of the banking operations, specified in Article 52-5 of this Law and the associated risks.

6. The bank, within ten working days after obtaining a license to conduct banking or other operations, shall send a notification to customers in the manner provided for in the microcredit agreement on the voluntary reorganization of the microfinance organization in the form of conversion to a bank, indicating the list of banking and other operations.

7. A bank established as a result of a voluntary reorganization of a microfinance organization in the form of conversion into a bank shall be prohibited from changing the terms of microcredit agreements, with the exception of changing the conditions in the direction of improving them for borrowers.

**Footnote.** Article 32 as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 23.12.2005 No 107 (the order of enforcement See Art. 2 of the Law No 107); dated 19.02.2007 No 230 (the order of enforcement See Art. 2); dated 12.02.2009 No 133 -IV (the order of enforcement see Art. 2); dated 12.07.2022 № 138-VII ( shall be enforced upon expiry of sixty calendar days after its first official publication).

### **Article 33. Contractual nature of relationship between a bank and a client**

1. The relationships between banks and between the banks and their clients shall be based on contracts, unless otherwise provided by the legislation of the Republic of Kazakhstan.

2. The bank's clients shall have the right to open bank accounts in other banks with the notice of the bank creditor, unless otherwise provided by the legislation of the Republic of Kazakhstan.

3. The provisions of subparagraphs 2), 3), 5), 8), 9) and 10) of part one of paragraph 1 of Article 46, subparagraphs 2), 3) and 5) of paragraph 2 of Article 47-1, paragraph 1 and 7 of Article 48-1, paragraphs 5 and 7 of Article 59-3, of paragraph 3 of Article 61-6, paragraph 4 of Article 61-8, paragraphs 2 and 3 of Article 61-9, of paragraph 1 of Article 61-10, of subparagraph 1) of paragraph 13 of Article 61-11, of paragraph 4 of Article 61-12, paragraph 2 of Article 61-13, of paragraph 2 of Article 65, paragraphs 1 and 4-1 of Article 73 and paragraph 5 of Article 74-3 of this Law shall not apply in relation of setting-off of claims and (or) closing-out netting on a transaction(s) under a master financial agreement.

The parties to the master financial agreement shall carry out (apply) the offset of claims and (or) liquidation netting on the transaction (transactions) under the master financial agreement in the manner and on the terms specified in the master financial agreement.

A net claim arising (calculated) as a result of offsetting claims and (or) liquidation netting carried out (applied) in the manner and on the terms specified in the master financial

agreement shall be satisfied on a general basis in accordance with the rules for settlements with creditors established by this Law and civil legislation of the Republic of Kazakhstan.

**Footnote. Article 33 as amended by the Law of the Republic of Kazakhstan dated 11 July, 1997 No 154; dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).**

#### **Article 34. Bank borrowing transaction**

1. Information on contracts for bank borrowing, leasing, factoring, for failing transactions, bill discounting, issuance of guarantees, letters of credit, concluded by a bank, an organization, engaged in certain types of banking operations, shall be subject to a mandatory submission to the credit bureau with the state shareholding under the conditions, specified by the legislation of the Republic of Kazakhstan on credit bureaus and formation of credit records.

2. The procedure for concluding a bank loan agreement, including the requirements for the content, execution, mandatory terms of a bank loan agreement, the form of a loan repayment schedule and a memo for a borrower - an individual, is approved by a regulatory legal act of the authorized body, taking into account the requirements established by the civil legislation of the Republic of Kazakhstan.

**2-1. Excluded by the Law of the Republic of Kazakhstan dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).**

3. A bank, an organization carrying out certain types of banking operations, shall not have the right to change the terms of a bank loan agreement unilaterally, except in cases of their improvement for the borrower.

The improvement of the terms of the bank loan agreement for the borrower for the purposes of this paragraph shall be understood as follows:

- change in the direction of reduction or complete abolition of commissions and other payments for the provision of services related to servicing a bank loan;

- change in the direction of reduction or complete cancellation of the penalty (fine, penalty fee);

- change in the direction of reduction of the rate of remuneration under a bank loan agreement;

- deferment, including for a period that includes the term of compulsory military service and 60 days after its completion, and (or) payment installments under a bank loan agreement;

- change in the direction of reduction of the monetary liability for a mortgage loan issued in a foreign currency when replacing the foreign currency of the loan with the national currency of the Republic of Kazakhstan.

The bank loan agreement may provide for an additional list of improving conditions for the borrower.

If a bank or an organization carrying out certain types of banking operations applies improving conditions, the borrower is notified of the change in the terms of the bank loan



agreement in the manner prescribed by the bank loan agreement, as well as through information technology objects that provide the bank or organization carrying out certain types of banking operations with the opportunity to identify the borrower - an individual by using the identification means stipulated by the Law of the Republic of Kazakhstan "On Payments and Payment Systems" (hereinafter - information technology objects), except for the case provided for in subparagraph six of part two of this paragraph.

The provision by a bank or an organization carrying out certain types of banking operations of a deferment and (or) payment installment plan under a bank loan agreement without increasing monthly loan payments is carried out with the consent of the borrower.

The borrower has the right, within fourteen calendar days from the date of receipt of the notification, to refuse, in the manner prescribed by the bank loan agreement, as well as through information technology objects, the improvement of conditions applied by the bank, the organization carrying out certain types of banking operations.

In the event that a bank, an organization carrying out certain types of banking operations, improves the conditions provided for in paragraph six of part two of this clause, in order to implement the Program for Refinancing Mortgage Housing Loans (mortgage loans) approved by the National Bank of the Republic of Kazakhstan, an announcement on such condition shall be published. The announcement shall be published in periodicals distributed throughout the Republic of Kazakhstan, in Kazakh and Russian languages. The absence of a written objection from the borrower and (or) the mortgagor within thirty calendar days from the date of publication of the announcement shall be considered as the consent of the borrower and (or) the mortgagor to the application of the improving condition provided for in paragraph six of part two of this clause.

**3-1. Is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI ( shall be enforced upon expiry of ten calendar days from the date of its first official publication).**

3-2. A bank or an organization carrying out certain types of banking operations shall be obliged to provide, under a bank loan agreement, a deferment of payment on the principal debt and remuneration to military personnel on active military service for a period that includes the term of active military service and 60 days after its completion, without charging interest on the loan in the manner determined by the authorized body.

The exchange of information on military personnel called up for active military service, as well as their dismissal, the presence or absence of a bank loan, and the provision of a deferment of payment on it shall be carried out through interaction between the information systems of state bodies and banks, organizations carrying out certain types of banking operations, in the manner determined by the authorized body in agreement with the Ministry of Defense of the Republic of Kazakhstan.

In the cases provided for in part two of this paragraph, the collection, processing and use of personal data shall be carried out in accordance with the legislation of the Republic of Kazakhstan.

4. Indexation of commitments and payments under the bank loan contract, issued in the national currency, with reference to any currency equivalent, shall be prohibited. This restriction shall not apply to the contracts, concluded between banks.

5. Provision of bank loans to the entities, registered in offshore zones, the list of which shall be established by the authorized body, shall be prohibited.

5-1. An individual shall have the right to set a free voluntary refusal to receive bank loans or to withdraw it at a credit bureau or through the "electronic government" web portal.

5-2. A bank or an organization carrying out certain types of banking operations is prohibited from providing bank loans to an individual if there is information about his/her voluntary refusal to receive a bank loan in his/her credit report received by the bank or an organization carrying out certain types of banking operations before making a decision to provide a bank loan.

A bank or an organization carrying out certain types of banking operations is prohibited from providing bank loans to an individual without the consent of the spouse, the procedure for its obtaining and the minimum amount of a bank loan for which the consent is required are determined by a regulatory legal act of the authorized body.

In the event that a bank or an organization carrying out certain types of banking operations issues a bank loan in the presence of information about the establishment by the client - an individual of a voluntary refusal to receive a bank loan in his credit report, as well as without the consent of the spouse, the bank or organization carrying out certain types of banking operations shall not have the right to demand that the individual fulfills obligations under such a bank loan.

The ban on providing a bank loan to an individual in the presence of information about the establishment by him of a voluntary refusal to receive a bank loan does not apply to cases of issuing a bank loan for the purpose of repaying a debt on a bank loan of an individual or within the established credit limit on a payment card in an amount not exceeding seventy-five times the monthly calculation indicator established for the relevant financial year by the law on the republican budget.

A bank or an organization carrying out certain types of banking operations, no later than three working days from the date of detection of the fact of issuance of a bank loan, if there is information about the establishment by an individual of a voluntary refusal to receive a bank loan in his/her credit report, as provided for in part one of this paragraph, and also without the consent of the spouse, take the following measures:

- make a decision to write off the client's debt on such a bank loan;

- stop debt collection and claims and litigation work on such a bank loan of the client;

make adjustments to the client's credit record in credit bureaus by eliminating records of information on such a bank loan;

return to the client previously withheld (paid) amounts of remuneration and (or) penalties on such a bank loan.

5-3. A bank or an organization carrying out certain types of banking operations is prohibited from providing a bank loan not related to the entrepreneurial activity to an individual who has an overdue debt on a bank loan and (or) microcredit for more than ninety calendar days.

This prohibition does not apply to cases of issuing a bank loan for the purpose of repaying a bank loan and (or) microcredit of an individual not related to the entrepreneurial activity, on improving terms that provide for a downward change in the interest rate and (or) the amount of periodic payments and (or) a downward change or complete cancellation of a penalty (fine, penalty).

5-4. A bank or an organization carrying out certain types of banking operations shall not have the right to issue a consumer bank loan, the amount of which does not meet the requirements established by the regulatory legal act of the authorized body.

5-5. A bank or an organization carrying out certain types of banking operations shall be prohibited from concluding a bank loan agreement with an individual via the Internet without conducting his or her biometric identification, the procedure for which shall be determined by the authorized body.

6. A bank, an organization, performing certain types of banking operations, shall have no right to unilaterally suspend the issuance of new loans in the frames of the concluded bank borrowing contract (s), except for the following cases:

1) specified by the bank borrowing contract under which a bank, an organization, engaged in certain types of banking operations, has the right not to allocate new loans;

2) when the borrower breaches obligations to the bank, the organization, engaged in certain types of banking operations under the bank loan contract;

3) worsening of the financial condition of the borrower, revealed after the monitoring, conducted by the bank, the organization, engaged in certain types of banking operations, in accordance with the requirements of the regulatory legal act of the authorized body;

4) changes in the requirements of the legislation of the Republic of Kazakhstan, affecting the proper performance of the bank loan contract by the bank, the organization, engaged in certain types of banking operations.

6-1. Under a bank loan agreement of a borrower - an individual who is not associated with entrepreneurial activities, a bank, an organization engaged in certain types of banking operations, is prohibited from demanding payment of remuneration, penalties (fines, penalties), as well as commissions and other payments related to the issuance and servicing loan accrued after ninety consecutive calendar days of delay in fulfilling the obligation to repay any of the payments on the amounts of the principal debt and (or) interest.

The requirement of this clause does not apply to a bank loan agreement if, on the date of its conclusion, the amount of the principal debt was fully secured by a pledge of property subject to registration and (or) a pledge of money.

6-2. When changing the terms of the execution of a bank loan agreement for an individual not related to entrepreneurial activity, or issuing a new loan in order to repay a bank loan of an individual not related to entrepreneurial activity, the accrual of interest on the overdue interest capitalized (summed up) to the amount of the principal debt, forfeit (fines, penalties), commissions and other payments related to the issuance and servicing of a loan shall not be allowed.

7. Within fourteen calendar days from the date of the loan contract concluding, a borrower - individual entity, that has received a loan that is not associated with business activities, for the purchase of goods, works and services, shall be entitled to return the loan with payment of the remuneration, charged by the bank from the date of the loan allocation.

In the case, provided for in this paragraph, penalty or other kinds of fines for return of the loan shall not be charged.

7-1. The amount of payment made by the borrower under the bank loan contract concluded with an individual, if it is insufficient to fulfill the obligations of the borrower under the bank loan contract, shall repay the debt of the borrower in the following order:

- 1) arrears on the principal debt;
- 2) arrears on the remuneration;
- 3) forfeit (fine, penalty) in the amount determined in accordance with paragraph 2 of Article 35 of this Law;
- 4) the amount of the principal debt for the current payments period;
- 5) remuneration accrued for the current payments period;
- 5-1) commissions and other payments related to the issuance and maintenance of the loan;
- 6) the costs of the creditor in obtaining performance.

After ninety consecutive calendar days of delay, the amount of the payment made by the borrower under the bank loan agreement concluded with an individual, if it is insufficient to fulfill the borrower's obligation under the bank loan agreement, repays the borrower's debt in the following order:

- 1) arrears on the principal debt;
- 2) arrears on the remuneration;
- 3) the amount of the principal debt for the current payments period;
- 4) remuneration accrued for the current payments period;
- 5) forfeit (fine, penalty) in the amount determined in accordance with paragraph 2 of Article 35 of this Law;
- 5-1) debt on commissions and other payments related to the issuance and servicing of a loan;
- 6) the costs of the creditor in obtaining performance.

8. Bank lending operations are carried out in accordance with the Rules on internal credit policy, approved by the management body of the bank, mortgage organization or organization that provides loans to agro-industrial complex entities, one hundred percent of the voting shares of which directly or indirectly belong to the national managing holding.

9. The body, conducting the internal credit policy, shall be the credit committee of the bank.

10. The rules of internal credit policy shall be designed to reduce risks of the bank borrowing transaction and define:

- 1) the loan conditions for individual and legal entities;
- 2) the loan conditions for the bank's officials and employees;
- 3) the organizational structure, functions and powers of the credit committee;
- 4) responsibilities of the members of the credit committee;
- 5) credit limits;
- 6) the procedure for approval of loan agreements;
- 6-1) the need for credit scoring for issuing a bank loan to an individual;
- 7) time limits for consideration of applications for credit granting, a decision making to allocate (or refuse to issue) a loan, and the changing of the credit conditions.

10-1. When considering the issue of a bank loan, the bank shall take into account the credit scoring of an individual calculated on the basis of its own methodology, or the credit scoring provided by the credit bureau.

11. In case if the terms of the loan contract stipulate the requirements for conclusion of insurance contracts and (or) organization of assessment in order to define the market value of the property as the collateral, the bank, the organization, performing certain types of banking transactions, shall not be entitled to restrict the borrower, the mortgagor in selecting an insurance organization and (or) an appraiser.

The bank loan contract may not oblige the borrower to insure his life or health.

12. The norms, established by paragraphs 4, 5, 8-11 of this Article shall be applied to the operations of banks in issuing guarantees and sureties, as well as to the operations of Islamic banks specified in subparagraphs 3), 4), 4-1) and 5) of paragraph 1 of Article 52-5 of this Law

13. Particularities and limitations of bank loan and other operations of an Islamic bank shall be established by Chapter 4-1 of this Law.

14. When assigning rights (claims) under a bank loan agreement to a third party, the requirements and restrictions imposed by the legislation of the Republic of Kazakhstan on the relationship of the creditor with the borrower under the bank loan agreement shall extend their effect to the legal relationship of the borrower with the third party to whom the rights (claims) under the bank loan agreement have been assigned, and in case of the transfer of rights (claims) under a bank loan agreement to the trust management of a service company, the requirements and restrictions imposed by the legislation of the Republic of Kazakhstan on

the relationship of the creditor with the borrower under the bank loan agreement shall extend their effect to the legal relationship of the borrower with the service company.

Violation by a third party to which the rights (claims) under a bank loan agreement are assigned, as well as by a service company of the requirements and restrictions imposed by the legislation of the Republic of Kazakhstan on the relationship of a creditor with a borrower under a bank loan agreement, shall entail the liability established by the laws of the Republic of Kazakhstan.

15. From the moment of detection of unauthorized access to information constituting a banking secret, its unauthorized modification, the implementation of unauthorized actions by third parties or other illegal (fraudulent) actions with bank loans of individuals, a bank or an organization carrying out certain types of banking operations shall, within two working days, take measures to eliminate the causes and consequences of such actions, and also, within one working day, inform the client and the authorized body about this.

Based on a recommendation (issued) by law enforcement agencies in accordance with the Criminal Procedure Code of the Republic of Kazakhstan on taking measures to eliminate the circumstances that contributed to the commission of a criminal offense, or a resolution on recognizing the borrower - an individual as a victim, the bank, the organization carrying out certain types of banking operations, no later than three calendar days:

- suspend debt collection and claims and litigation work on such a bank loan of the client;
- suspend the accrual of remuneration and (or) penalties on such a bank loan of the client.

The bank, the organization carrying out certain types of banking operations, no later than ten working days from the date of receipt of a judicial act that has entered into legal force, which establishes the fact of registration of a bank loan fraudulently without the participation of the client, make a decision to write off the client's debt on the bank loan, as well as measures to return to the client the previously withheld (paid) amounts on such a bank loan.

Footnote. Article 34 is in the wording 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); as amended by the Laws of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 17.07.2015 № 333-V (shall be enforced upon expiry of ten calendar days after its first official publication ); dated 24.11.2015 № 422-V (the procedure for enforcement, see Article 2); dated 06.05.2017 № 63-VI (shall be enforced upon expiry of twenty - one calendar days after its first official publication); dated 24.05.2018 № 156-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (entry into force see Article 2); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated December 27, 2019 № 291-VI (shall be enforced upon expiry of ten calendar days after the

day of its first official publication); dated 03.07.2020 № 359-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 24.05.2021 № 43-VII (shall come into force from 01.10.2021); dated 27.12.2021 № 87-VII (shall be enforced upon expiration of ten calendar days after the day of its first official publication); dated 31.12.2021 № 100 (see Article 2 for the entry into force); dated 04.07.2022 № 133-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 11.12.2023 № 44-VIII (shall be enforced upon expiration of sixty calendar days after the day of its first official publication); dated 19.06.2024 № 97-VIII (for the procedure for entry into force, see Article 2).

#### **Article 34-1. Features of a mortgage loan of an individual not related to entrepreneurial activity**

1. Before signing the mortgage loan contract with an individual not related to entrepreneurial activity, the bank, organization, carrying out certain types of banking operations shall be obliged to carry out comprehensive, complete and qualitative assessment of creditworthiness (solvency) of the borrower in accordance with the internal rules of the bank, organization, carrying out certain types of banking operations (hereinafter – the proper assessment of the borrower’s creditworthiness).

For the purposes of this Article, a proper assessment of the borrower’s creditworthiness shall be recognized the activities of the bank, an organization carrying out certain types of banking operations, by determination of:

1) the possibility to fulfill the obligations by the borrower under the mortgage loan contract of an individual not related to entrepreneurial activity, confirmed by one of the following documents at the discretion of the bank, organization, carrying out certain types of banking operations:

the statement of the unified accumulative pension fund from the individual pension account for the last six months;

the certificate of income from the place of work for the last six months;

tax return on individual income tax of the borrower-an individual for the last tax period;

other documents reflecting availability of possibility for execution of obligations of the borrower under the mortgage loan contract of an individual, not related to entrepreneurial activity, in accordance with internal documents and procedures of the bank, organization, carrying out performing certain types of banking operations;

2) presence or absence of the borrower's credit history for the last six months;

3) presence or absence of debts on taxes and other mandatory payments to the budget;

4) presence or absence of debt reflected in the credit report to third parties.

Proper assessment of the borrower’s creditworthiness together with information on the borrower shall take into account the information on the individual (co-borrower), acting under the mortgage loan contract of an individual not related to entrepreneurial activity, as jointly and severally responsible for the fulfillment of obligations on repayment of the loan.



A bank, an organization, carrying out certain types of banking operations, shall not be responsible for submission of false information by the borrower (co-borrower) to the bank, organization, carrying out certain types of banking operations, for proper assessment of the borrower's creditworthiness, provided by this paragraph.

2. It is prohibited to provide mortgage loans not related to entrepreneurial activity in foreign currency to the individuals who do not have income in this currency within six consecutive months preceding the date of the individual's appeal.

3. A bank, an organization carrying out certain types of banking operations, shall not be entitled under the mortgage loan contracts of an individual, not related to entrepreneurial activity to establish and charge fees for maintaining a bank account related to the issuance and maintenance of a mortgage loan, as well as for crediting a loan to a bank account.

4. Upon changing the conditions of execution of the mortgage housing loan contract of an individual, not related to entrepreneurial activity or issuing a new loan to repay a mortgage housing loan, capitalization (the summation of) the past due interest payments, forfeit (fine, penalty) to the amount of the principal debt shall not be allowed.

5. The borrower, who is an individual, shall be obliged to ensure the targeted use of the mortgage housing loan.

A bank, an organization, carrying out certain types of banking operations, shall exercise control over the targeted use of housing mortgage loan of an individual in the manner established by the mortgage housing loan contract.

In case of improper use of mortgage housing loan of an individual, not related to entrepreneurial activity, the borrower shall be obliged to prematurely return to the bank, organization, carrying out certain types of banking operations, the mortgage housing loan and to pay compensation in parts of the used housing mortgage loan, accrued under the mortgage housing loan contract for the entire period of use of the subject of the mortgage housing loan.

6. The borrower shall inform the bank, the organization carrying out certain types of banking operations, of all changes related to the personality of the borrower, within fifteen working days from the date of such changes.

Changes related to the personality of the borrower include changes in his/her place of residence, change of surname, name, patronymic (if it is specified in the identity document), replacement of identity documents, change of contact information used to communicate with the borrower, and the method of communication.

The statement of the bank, the organization carrying out certain types of banking operations, about non-receipt of information from the borrower about all changes, related to his/her personality, shall not be violation from the part of the borrower of requirements of this Article if the borrower proves that information was sent properly.

7. Excluded by the Law of the Republic of Kazakhstan dated 24.05.2021 № 43-VII (shall come into force from 01.10.2021).



8. Excluded by the Law of the Republic of Kazakhstan dated 24.05.2021 № 43-VII (shall come into force from 01.10.2021).

9. In order to prevent an increase in the debt of a borrower who is an individual, a bank, an organization carrying out certain types of banking operations, shall be prohibited to demand payment of remuneration, penalties (fines, penalties), as well as commissions and other payments related to the issuance and servicing of a loan, accrued after the expiration of one hundred and eighty consecutive calendar days of delay in fulfilling the obligation to repay any of the payments on the amounts of the principal debt and (or) interest under the mortgage loan agreement of an individual not related to entrepreneurial activity.

10. The amount of the payment made by the borrower, if it is insufficient to fulfill the borrower's obligation under the mortgage loan contract of an individual not connected with entrepreneurial activity, shall repay the borrower's debt in the following order:

- 1) arrears on the remuneration;
- 2) arrears on commissions and other payments related to the issuance and maintenance of a mortgage loan;
- 3) forfeit (fine, penalty) in the amount determined in accordance with paragraph 2 of Article 35 of this Law;
- 4) remuneration accrued for the current payment period;
- 5) commissions and other payments related to the issuance and maintenance of a mortgage loan;
- 6) the costs of the bank, an organization carrying out certain types of banking operations, in obtaining execution;
- 7) arrears on the principal debt;
- 8) the amount of the principal debt for the current payments period.

11. In cases of transfer of housing to the ownership of a bank, an organization carrying out certain types of banking operations, and (or) transfer of housing under an act and if the pledger - an individual belonging to socially vulnerable groups of the population in accordance with the Law of the Republic of Kazakhstan "On Housing Relations", does not own another housing, he has the right, within thirty calendar days from the date of transfer of housing to the ownership of the bank, the organization carrying out certain types of banking operations, to apply to the bank, the organization carrying out certain types of banking operations, with an application for transfer of such housing to him for lease, including with the condition of its redemption.

12. The bank, the organization carrying out certain types of banking operations, within fifteen calendar days from the date of receipt of the application provided for in paragraph 11 of this article, shall consider it and inform the individual of one of the following decisions:

- 1) on consent to conclude a property lease (rental) agreement for housing with or without the condition of its redemption;

2) on refusal to conclude a property lease (rental) agreement, indicating a reasoned justification for such refusal on the grounds established by this Law.

13. A bank or an organization carrying out certain types of banking operations has the right to refuse to conclude a property lease (rental) agreement based on the application provided for in paragraph 11 of this article in the following cases:

- 1) the applicant provides false information about belonging to a category of socially vulnerable groups of the population;
- 2) the applicant is unable to pay rent due to the lack of sources of income;
- 3) the applicant is bankrupt;
- 4) the applicant owns housing.

14. In the event of concluding a property lease (rental) agreement with a condition of redemption of the housing, the right of ownership of the housing is registered in the name of the tenant after the tenant has made the last payment on rent or has fully repaid the cost of the housing early, as specified in the property lease (rental) agreement.

The property lease (rental) agreement shall be terminated in the event of the tenant's failure to fulfill obligations under the property lease (rental) agreement for a period exceeding ninety consecutive calendar days, while the bank or organization carrying out certain types of banking operations is prohibited from charging and demanding penalties (fine interest) on overdue payments.

**Footnote.** Chapter 3 is supplemented by Article 34-1 in accordance with the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication); as amended by the Law of the Republic of Kazakhstan dated 21.01.2019 № 217-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.05.2021 № 43-VII (shall come into force from 01.10.2021); dated 19.06.2024 № 97-VIII (comes into effect ten calendar days after the date of its first official publication).

## **Article 35. Ensuring the loans' recovery**

1. The loans' recoverability may be ensured by forfeit, pledge, guarantee, warranty and other means, provided by the legislation of the Republic of Kazakhstan or by the contract.

2. The size of forfeit (fine, penalty) for violation of the obligation to return the amount of the loan and (or) payment of remuneration on the bank loan agreement, concluded with an individual, cannot exceed within ninety days of delay 0.5 percent of the overdue payment for each day of delay, upon expiry of ninety days of delay, cannot exceed 0.03 percent of the overdue payment for each day of delay, but not more than ten percent of the amount of the loan granted for each year of the contract of a bank loan.

3. Under the condition of high creditworthiness and reliability of a client, the bank shall have the right to take a decision on allocating a loan without security (blank credit). The

criteria for the unsecured loan (a blank credit) shall be established by the regulatory legal act of the authorized body.

4. If several collaterals are provided to ensure the loan's recovery, in the event of proper fulfillment of obligations by the borrower under the bank loan contract and under the condition that the market value of the collateral, defined by the appraiser at the time of the borrower, the mortgagor application on reduction of the collateral, exceeds the amount of the unexecuted part of the borrower's obligations, taking into account the requirements of the bank's collateral policy (the organization performing certain types of banking operations), within ten working days from the date of the borrower, the mortgagor application, the bank (organization, fulfilling certain types of banking operations) shall take measures to terminate (change) contract (contracts) on pledge of one or more collaterals in the part, exceeding the amount of the borrower's obligation.

4-1. If the amount of unfulfilled obligations is less than ten percent of the value of the collateral, the bank (an organization carrying out certain types of banking operations) is obliged, within twenty working days from the date of the application of borrower, mortgagor, to consider, taking into account the requirements of the collateral policy of the bank (an organization carrying out certain types of banking operations) replacement of the subject of pledge with other property, the market value of which, determined by the appraiser at the time of application, covers the amount of the unfulfilled obligation.

5. In cases stipulated by the pledge contract, as well as by legislative acts of the Republic of Kazakhstan, the bank shall have the right to independently sell the pledged property out of court by means of bidding (auction).

6. The standards, established by paragraphs 1 - 5 of this Article shall apply to the bank operations on guarantees and warranties issuance.

**Footnote.** Article 35 is in the wording 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); as amended by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.11.2015 № 422-V (shall be enforced from 01.07.2016); dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication); dated 31.12.2021 № 100 (shall be enforced upon expiration of ten calendar days after the day of its first official publication).

#### **Article 36. Conditions and procedure for settlement of a debt and measures applied to an insolvent borrower**

**Footnote.** Heading of Article 36 - as amended by the Law of the Republic of Kazakhstan dated 24.05.2021 № 43-VII (shall come into force from 01.10.2021).

1. In the event of a delay in the fulfillment of an obligation under a bank loan agreement, but no later than ten calendar days from the date of its occurrence, the bank (organization carrying out certain types of banking operations) shall be obliged to notify the borrower in the

manner and within the timeframes stipulated by the bank loan agreement, as well as through information technology objects, of:

1) the occurrence of a delay in fulfilling an obligation under a bank loan agreement and the need to make payments under a bank loan agreement indicating the amount of overdue debt as of the date specified in the notification;

1-1) the right of the borrower - an individual under a bank loan agreement to apply to the bank (organization carrying out certain types of banking operations) with the application stipulated by paragraph 1-1 of this article;

2) the consequences of the borrower's failure to fulfill his/her obligations under the bank loan contract.

A bank (an organization, carrying out certain types of banking operations) shall have the right to attract a collection agency to notify the borrower.

1-1. Within thirty calendar days from the date of the occurrence of the delay in the fulfillment of the obligation under the bank loan agreement, the borrower - an individual has the right to visit the bank (an organization that carries out certain types of banking operations) and (or) submit in writing, as well as through information technology objects or in the manner stipulated by the bank loan agreement, an application containing information on the reasons for the occurrence of the delay in the fulfillment of the obligation under the bank loan agreement, income and other confirmed circumstances (facts) that justify his application for amendments to the terms of the bank loan agreement, including those related to:

1) the change in the direction of reduction of the interest rate under the bank loan contract;

2) the change of the currency of the amount of the balance of the principal debt on a bank loan issued in foreign currency to the national currency;

3) deferred payment on the principal debt and (or) remuneration;

4) the change of the method of debt repayment or the order of debt repayment, including the repayment of principal debt in the priority order;

5) changing the term of a bank loan;

6) release from the overdue principal debt and (or) remuneration, cancellation of the penalty (fine, penalty fee), commissions and other payments related to servicing a bank loan;

7) self-realization by the mortgagor of immovable property that is the subject of mortgage, in accordance with the procedure, provided for by Article 20-1 of the Law of the Republic of Kazakhstan "On Mortgage of Immovable Property";

8) submission of a compensation in exchange for the fulfillment of an obligation under a bank loan agreement by transferring collateral property to a bank (an organization carrying out certain types of banking operations);

9) sale of immovable property that is the subject of mortgage, with the transfer of obligations under a bank loan agreement to the buyer.

1-2. The bank (the organization carrying out certain types of banking operations) shall, within fifteen calendar days after the date of receipt of the application specified in paragraph

1-1 of this article, consider changes to the terms of the bank loan agreement proposed by the borrower - an individual, in the manner determined by the regulatory legal act of the authorized body, and in writing, as well as through information technology objects or in the manner stipulated by the bank loan agreement, inform the borrower - an individual of one of the following decisions:

- 1) on consent with the proposed changes to the terms of the bank loan agreement;
- 2) on a counter-proposal to change the terms of the bank loan agreement;
- 3) on refusal to change the terms of the bank loan agreement, indicating a reasoned justification for such refusal.

During the period of consideration of the application of the borrower - an individual to amend the terms of the bank loan agreement, the bank (the organization carrying out certain types of banking operations) shall not have the right to demand early repayment of the loan.

Failure to reach a mutually acceptable solution between the bank (organization carrying out certain types of banking operations) and the borrower - an individual within thirty calendar days from the date of receipt of the bank's (organization carrying out certain types of banking operations) decision, stipulated by subparagraph 2) of part one of this paragraph, shall be considered a refusal to change the terms of the bank loan agreement. This period may be extended with the consent of both parties.

1-3. The borrower - an individual, within fifteen calendar days from the date of receipt of the decision of the bank (organization carrying out certain types of banking operations), stipulated by subparagraph 3) of part one of paragraph 1-2 of this article, or if a mutually acceptable solution to change the terms of the bank loan agreement is not reached within the period stipulated by part three of paragraph 1-2 of this article, has the right to apply to the banking ombudsman with simultaneous notification of the bank (organization carrying out certain types of banking operations).

The banking ombudsman shall consider the application of the borrower - an individual upon presentation of evidence of his application to the bank (organization carrying out certain types of banking operations) and failure to reach a mutually acceptable solution with the bank (organization carrying out certain types of banking operations) to change the terms of the bank loan agreement.

During the period of consideration by the banking ombudsman of an appeal from a borrower - an individual belonging to socially vulnerable groups of the population in accordance with the Law of the Republic of Kazakhstan "On Housing Relations", on a mortgage housing loan (mortgage loan) not related to the entrepreneurial activity, foreclosure on the mortgaged property by filing a claim in court or out of court is not allowed.

2. When dissatisfied with the requirements provided for by subparagraph 1) of part one of paragraph 1 of this article, the bank (an organization that carries out certain types of banking operations) has the right to levy execution upon money in an indisputable manner, including by submitting a payment claim, available in the bank accounts of the borrower (if such a

claim is specified in the bank loan agreement), with the exception of money (electronic money) received by a borrower in the form of allowances and social benefits paid from the state budget and (or) the State fund for social insurance, material assistance provided in accordance with subparagraph 1) of paragraph 4 of Article 112 of the Social Code of the Republic of Kazakhstan, available in the bank accounts, opened at the request of the borrower, in the manner determined by the regulatory legal act of the National Bank of the Republic of Kazakhstan, alimony (money, intended for the maintenance of minors and disabled adult children) available in the bank accounts opened at the request of the borrower in the manner determined by the regulatory legal act of the National Bank of the Republic of Kazakhstan, as well as housing payments stipulated by the Law of the Republic of Kazakhstan “On housing relations”, money located in a bank account of the housing construction savings bank, having the status of the national institute of development, intended for crediting payments and subsidies in order to pay for rented housing in a private housing stock, targeted savings and (or) payments of targeted accumulations from a unified pension savings fund in order to improve housing conditions and (or) payment for education, lump-sum pension payments from a unified pension savings fund in order to improve the housing conditions and (or) payment for treatment provided for by the legislation of the Republic of Kazakhstan on social protection, money located in bank accounts in housing construction savings banks in the form of housing construction savings accumulated through the use of housing payments, in the form of payments of targeted savings from a unified pension savings fund to improve housing conditions and (or) payment for education, money in bank accounts in second-tier banks in the form of accumulations for the overhaul of the common property of the condominium object, with the exception of the penalties on the basis of court decisions on cases of failure to fulfill obligations concluded in order to carry out major repairs of the common property of the condominium object, which are in bank accounts intended for crediting compensation for investment costs in accordance with the legislation of the Republic of Kazakhstan in the field of public-private partnership and concessions, money paid on the terms of a notary deposit, money in bank accounts intended to account for the money of customers of a manager of an investment portfolio, for unfulfilled obligations of this manager of an investment portfolio, money located in bank accounts intended for accounting for money of customers of a person performing the functions of a nominal holder, for unfulfilled obligations of a person who performs the functions of a nominal holder, money in bank accounts, for clearing activities for transactions with financial instruments, money in a bank account on an educational deposit, concluded in accordance with the Law of the Republic of Kazakhstan “On the State educational savings system”, money, located in the current accounts of private bailiffs intended for storing the collected amounts in favor of recoverers, money, available in the bank accounts of the borrower - a citizen of the Republic of Kazakhstan, against whom a case was initiated on the application of the procedure for restoring solvency, extra-judicial or

judicial bankruptcy in the manner prescribed by the Law of the Republic of Kazakhstan “On restoration of solvency and bankruptcy of citizens of the Republic of Kazakhstan”.

It is not allowed to collect debts under a bank loan agreement by a payment claim at the expense of money held in savings bank accounts that are the subject of collateral for issued bank loans in the amount of the outstanding principal debt on such bank loans.

Restrictions regarding the withdrawal of money held in bank accounts intended for crediting compensation for investment costs do not apply to claims related to the first, second and third queues in accordance with the priority provided for in paragraph 2 of Article 742 of the Civil Code of the Republic of Kazakhstan.

Collection of debt of a borrower - an individual under a bank loan agreement by presenting a payment demand is limited within fifty percent of the amount of money in his bank account, and (or) from each amount of money subsequently received into the bank account of the borrower from a legal entity or individual entrepreneur, and is carried out without waiting for the receipt of the entire amount necessary for the full execution of the payment demand into the bank account.

The amount of money saved in the current account or in total in the current accounts of an individual or individual entrepreneur, if the individual is registered as an individual entrepreneur carrying out activities in the form of personal entrepreneurship, opened in one bank, when executing the payment demand must be no less than twice the subsistence minimum established for the relevant financial year by the law on the republican budget.

The specified restriction does not apply to money in the savings account of the borrower - an individual or individual entrepreneur, if the individual is registered as an individual entrepreneur carrying out activities in the form of personal entrepreneurship.

2-1. In cases of dissatisfaction with the requirement provided for in subparagraph 1) the first part of paragraph 1 of this article, as well as the non-realization by the individual borrower under the bank loan agreement of the rights provided for in paragraph 1-1 of this article, or the lack of agreement between the individual borrower and the bank (organization performing certain types of banking operations) to change the terms of the bank loan agreement bank (organization performing certain types of banking operations), in addition to the measures provided for in paragraph 2 of this article, has the right:

1) consider the application of measures against the borrower.

The decision on the application of measures is made in accordance with the Rules on the Internal Credit Policy of the bank (organization performing Certain Types of Banking Operations);

2) передать задолженность на досудебные взыскание и урегулирование коллекторскому агентству.

The transfer of debt for pre-trial collection and settlement to a collection agency is allowed if there is a right in the bank loan agreement of the bank (an organization that



performs certain types of banking operations) to attract a collection agency if the borrower assumes a delay in fulfilling obligations under the bank loan agreement.

The bank (organization carrying out certain types of banking operations) on the day of transfer of the debt for pre-trial collection and debt settlement shall notify the borrower thereof in the manner stipulated by the bank loan agreement, as well as through information technology objects, indicating the name, location of the collection agency, and telephone numbers of the collection agency for contacts with debtors.

During the period when the debt is under pre-trial collection and settlement with the collection agency, the bank (an organization that performs certain types of banking operations) is not entitled to:

- to file a claim with the court for debt collection;

- to demand payment of remuneration, commissions and other payments related to the issuance and servicing of the loan for the period when the debt is in the work of the collection agency, as well as to charge a penalty (fine, penalty fee) for late repayment of the principal debt and remuneration during the specified period;

3) assign, in compliance with the requirements established in Article 36-1 of this Law, the rights (claims) under the bank loan agreement if the borrower is in default on the fulfillment of the monetary obligation:

- under a mortgage loan of an individual - over one hundred eighty consecutive calendar days;

- under other bank loan agreements of an individual - over ninety consecutive calendar days

**The fourth paragraph of subparagraph 3) comes into force on 01.05.2026 in accordance with the Law of the Republic of Kazakhstan dated 19.06.2024 № 97-VIII.**

The assignment of rights (claims) under a bank loan agreement of an individual not related to the entrepreneurial activity to a collection agency is permitted after twenty-four months from the date of occurrence of overdue debt and during the debt settlement procedures provided for in paragraph 3 of Article 34 of this Law and (or) paragraph 1-1 of this Article and ensuring mutually acceptable conditions for the parties under which the borrower can repay the loan debt. Complete cancellation of accrued and unpaid penalties (fines, fees), commissions and other payments related to servicing of a bank loan is mandatory

The provisions of this subparagraph shall not apply to cases of application of the procedure for restoration of solvency, extrajudicial or judicial bankruptcy in relation to the borrower - a citizen of the Republic of Kazakhstan in the manner prescribed by the Law of the Republic of Kazakhstan "On restoration of solvency and bankruptcy of citizens of the Republic of Kazakhstan";

4) apply measures provided for by the legislation of the Republic of Kazakhstan and (or) a bank loan agreement, including filing a lawsuit with the court to recover the amount of debt

under the bank loan agreement, as well as foreclose on mortgaged property out of court, except for cases provided for by the Law of the Republic of Kazakhstan "On Mortgage of Immovable Property", or in court;

5) file a lawsuit with the court to declare the borrower – an individual entrepreneur, a legal entity bankrupt in accordance with the legislation of the Republic of Kazakhstan.

2-2. A bank (an organization carrying out certain types of banking operations) that has received a petition from the mortgagor, whose property secures the obligations of the borrower under a mortgage loan agreement secured by housing of an individual not related to entrepreneurial activities, on the independent sale of real estate, filed in the manner prescribed by the Law of the Republic of Kazakhstan "On the Mortgage of Real Estate", suspends the measures in relation to the borrower and the mortgagor, provided for in paragraphs 2 and 2-1 of this article.

3. Is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication).

4. Is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication).

5. The bank (organization carrying out certain types of banking operations) is prohibited from receiving from third parties the services for pre-trial collection and settlement of debt, as well as collection of information related to debt, except for cases when such services are provided to the bank (organization carrying out certain types of banking operations) by a collection agency and (or) service company.

Footnote. Article 36 is in the wording of the Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); as amended by the laws of the Republic of Kazakhstan dated 26.07.2016 № 12-VI (shall be enforced upon expiry of thirty calendar days after its first official publication); dated 06.05.2017 № 63-VI (the order of enforcement see Article 2); dated 12.12.2017 № 114-VI (shall be enforced from 01.01.2018); dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication); dated 04.07.2018 № 171-VI (shall be enforced upon expiry of ten calendar days after the date of its first official publication); dated 21.01.2019 № 217-VI (for the procedure of enactment see art. 3); dated 03.07.2019 № 262-VI (the order of enforcement see Art. 2); dated December 26, 2019 № 284-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication); dated 26.06.2020 № 349-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 03.07.2020 № 359-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 30.12.2020 № 397-VI (shall come into force upon expiration of six calendar months after the date of its first official publication); dated 02.01.2021 № 399-VI (shall come into force from 01.01.2021); dated

24.05.2021 № 43-VII (effective from 01.10.2021); dated 31.12.2021 № 100 (shall be enforced upon expiration of ten calendar days after the day of its first official publication); dated 04.07.2022 № 133-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 30.12.2022 № 177-VII (shall be enforced ten calendar days after the date of its first official publication); dated 30.12.2022 № 179-VII (shall be enforced sixty calendar days after the date of its first official publication); dated 20.04.2023 № 226-VII (shall be enforced from 01.07.2023); dated 16.11.2023 № 40-VIII (shall be enforced from 01.01.2024); dated 16.05.2024 № 82-VIII (comes into force ten calendar days after the date of its first official publication); dated 19.06.2024 № 97-VIII (for the procedure for entry into force, see Art. 2); dated 22.11.2024 № 138-VIII (shall be enforced six months after the day of its first official publication).

#### **Article 36-1. Procedure for assignment of rights (claims) under a bank loan agreement**

Footnote. The title of Article 36-1 as amended by the Law of the Republic of Kazakhstan dated 19.06.2024 № 97-VIII (enters into force sixty calendar days after the date of its first official publication).

1. Excluded by the Law of the Republic of Kazakhstan dated 19.06.2024 № 97-VIII (enters into force sixty calendar days after the date of its first official publication).

2. Is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication).

3. Is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication).

4. A bank, an organization carrying out certain types of banking operations, shall be prohibited from assigning rights (claims) under a bank loan agreement to a third party, with the exception of the assignment of rights (claims) to the following persons:

collection agency;

bank;

organizations carrying out certain types of banking operations;

a subsidiary of the bank acquiring doubtful and loss assets of the parent bank;

an organization specializing in improving the quality of loan portfolios of second-tier banks;

a special financial company established in accordance with the legislation of the Republic of Kazakhstan on project financing and securitization, in a securitization transaction;

a person carrying out the repurchase of mortgage loans of individuals not related to entrepreneurial activity, one hundred percent of whose shares are owned by the National Bank of the Republic of Kazakhstan;

a special fund for the development of private entrepreneurship - under a bank loan agreement concluded as part of a transaction for financing private entrepreneurship entities by conditional placement of funds in banks and organizations engaged in certain types of banking operations;

to another person - in relation to the rights (claims) under a bank loan agreement of an individual related to the entrepreneurial activities, under a bank loan agreement of a legal entity if there are signs of impairment for the specified loans on the date of assignment in accordance with international financial reporting standards.

The person specified in the tenth item of the first part of this paragraph transfers the received rights (claims) under the bank loan agreement to the service company in trust management in one of the following cases:

rights (claims) obtained under a bank loan agreement of an individual associated with entrepreneurial activities;

rights (claims) received under a bank loan agreement of a legal entity, the amount of debt on which does not exceed 16,500 times the monthly calculation index established by the law on the republican budget as of the date of assignment;

if the person to whom the rights (claims) were assigned under the bank loan agreement is a non-resident of the Republic of Kazakhstan.

The rights (claims) under bank loan agreements may be transferred to a service company if the following conditions are met simultaneously:

1) the size of the authorized capital of the collection agency, the equity capital of the parent organization of the subsidiary of the bank, acquiring doubtful and loss assets of the parent bank, is not less than the minimum value established by the regulatory legal act of the authorized body;

2) carrying out activities for three years from the date of:

issuance to a bank or a bank holding company of permission to create a subsidiary by the bank, acquiring doubtful and loss assets of the parent bank;

inclusion of a collection agency in the register of collection agencies;

3) absence as of the date of inclusion in the register of service companies of unfulfilled and (or) existing supervisory response measures or limited enforcement measures applied by the authorized body, and administrative penalties for administrative offenses, provided for in Article 211-1 and part one of Article 227 Of the Code of the Republic of Kazakhstan on Administrative Infractions;

4) lack of an unexpunged or outstanding criminal record at the first head of the service company;

5) compliance of the service company with the requirements established by the authorized body.

Requirements for subsidiaries of the bank acquiring doubtful and loss assets of the parent bank, and collection agencies acting as service companies, to which the rights (claims) under

bank loan agreements may be transferred to trust management, shall be established by the regulatory legal act of the authorized body.

The authorized body shall keep and post on its Internet resource a register of service companies that meet the requirements of the legislation of the Republic of Kazakhstan.

The exclusion of a service company from the register of service companies shall be the basis for terminating the agreement on trust management of rights (claims).

In case of the transfer of rights (claims) under a bank loan agreement to the trust management of a service company, the person specified in paragraph ten of part one of this paragraph shall exercise the rights of the creditor in relation to the right (claim) assigned to him under a bank loan agreement under an agreement on trust management of rights (claims), concluded with the service company, or by assigning it to the persons specified in part one of this paragraph.

In case of termination of the agreement on trust management of rights (claims) with the service company, the person specified in paragraph ten of part one of this paragraph shall be obliged to conclude an agreement on trust management of rights (claims) with another service company or assign the rights (claims) to the persons specified in part one of this paragraph.

The requirements of this paragraph do not apply to in the following cases:

1) assignment by the bank of rights (claims) to the National Bank of the Republic of Kazakhstan in order to fulfill obligations under the loan of last resort;

2) transfer of rights (claims) to the Export Credit Agency of Kazakhstan in the order of subrogation in connection with the implementation of insurance payments under voluntary insurance contracts in accordance with the legislation of the Republic of Kazakhstan.

4-1. The assignment of rights (claims) under a bank loan agreement, for which, as of the date of assignment, there are signs of impairment in accordance with international financial reporting standards, shall be carried out by a bank or an organization carrying out certain types of banking operations, subject to the following conditions:

1) the person in whose favor the rights (claims) under the bank loan agreement are assigned shall be determined based on the results of trading in relation to these rights (claims) conducted by the bank or an organization carrying out certain types of banking operations on an electronic trading platform for the sale of banking and microfinance assets, with the exception of:

the persons specified in paragraphs seven, eight and (or) nine of part one of subparagraph 4 of this article;

the assignment of rights (claims) carried out within the framework of the activities provided for in Articles 61-10, 61-11 and 61-12 of this Law;

2) the assignment of rights (claims) under the bank loan agreement shall be carried out in compliance with the restrictions and rules established in subparagraph 4 of this article.

The requirements established by part one of this paragraph shall apply to subsidiaries of banks acquiring doubtful and hopeless assets of the parent bank.

**Note!**

The effect of paragraph 4-2 is suspended until 01.05.2026 by the Law of the Republic of Kazakhstan dated 19.06.2024 № 97-VIII and during the period of suspension this paragraph shall be effective as follows.

4-2. A bank or an organization that carries out certain types of banking operations is prohibited from assigning rights (claims) under a bank loan agreement of an individual not associated with the entrepreneurial activity to a collection agency.

5. The bank, an organization carrying out certain types of banking operations shall not have the right to assign the right (claim) under a bank loan contract without the consent of the borrower, unless otherwise provided by the laws of the Republic of Kazakhstan or a bank loan contract.

5-1. A bank, an organization carrying out certain types of banking operations, shall not be entitled to assign the right (claim) under a bank loan agreement secured by a pledge of property to the persons specified in part one of paragraph 4 of this Article, without assessing the value of the property carried out by the appraiser during the last six months prior to the assignment of the right (claim) in accordance with the Law of the Republic of Kazakhstan “On Valuation Activity in the Republic of Kazakhstan”.

6. Assignment of rights (claims) under a bank loan agreement in respect of one borrower to several persons shall not be allowed, except in cases where these rights (claims) are the subject of a securitization transaction.

7. When concluding an agreement on the assignment of rights (claims) under a bank loan agreement (hereinafter referred to as the assignment agreement), a bank, an organization carrying out certain types of banking operations, shall be obliged:

1) prior to concluding an assignment agreement, notify the borrower - an individual under a bank loan agreement not related to the entrepreneurial activity, of the planned assignment of the rights (claims) of the creditor under the said bank loan agreement to a third party, as well as of the processing (transfer) of the borrower's personal data in connection with such assignment in the manner stipulated by the bank loan agreement, as well as through information technology objects;

2) notify the borrower (or his authorized representative) of the completed transfer of rights (claims) under the bank loan agreement to a third party in the manner stipulated by the bank loan agreement, as well as through information technology objects within thirty calendar days from the date of conclusion of the assignment agreement, indicating the need to make further payments under the bank loan agreement to a third party (name, location and bank details of the person to whom the rights (claims) under the bank loan agreement have been assigned, or in the case of transfer of rights (claims) under the bank loan agreement to trust management - to the service company), the volume of transferred rights (claims) under the bank loan agreement, the amount and structure of the debt under the bank loan agreement (principal debt, remuneration, commissions, penalties (fines, fees) and other amounts payable;

3) to transfer the following documents to the person to whom the rights (claims) under the bank loan agreement have been assigned, or to the service company (in the case of the transfer of rights (claims) under the bank loan agreement to the trust management of the service company):

- bank loan agreement;

- pledge agreement and title documents for the subject of pledge (if the fulfillment of obligations under the bank loan agreement is secured by pledge);

- surety or guarantee agreement (if the fulfillment of obligations under a bank loan agreement is secured by a surety or guarantee);

- calculations of the borrower's debt as of the date of assignment of rights (claims);

- claim correspondence with the borrower (if any);

- constituent documents of the borrower - a legal entity, a copy of the identity document of the borrower - an individual;

- documents confirming the repayment of debt by the borrower;

- documents on the sale of the pledged property (if any);

- other documents in accordance with the assignment agreement.

In case of the assignment of all rights (claims) to the borrower, the bank, an organization carrying out certain types of banking operations, transfers to the person to whom the right (claim) is assigned under a bank loan agreement, all original documents they have, and in case of transfer of rights (claims) under a bank loan agreement, the originals of the indicated documents shall be transferred to the service company for trust management of the service company.

A person to whom rights (claims) have been assigned under a bank loan agreement, a service company shall bear responsibility established by the laws of the Republic of Kazakhstan for the loss of originals of title documents for property that is a security for the fulfillment of obligations under a bank loan agreement, a bank (an organization carrying out certain types of banking operations).

In case of assignment of part of the rights (claims) to the borrower, the bank, the organization carrying out certain types of banking operations, shall have the right to keep the original documents certifying such rights (claims) and transfer to the person to whom the right (claim) under the bank loan agreement is partially assigned, notarized copies of the specified documents, and in case of transfer of a part of the rights (claims) under the bank loan agreement to the trust management of the service company, notarized copies of the specified documents are transferred to the service company;

4) after the conclusion of the assignment agreement, to transfer the money received to pay off the debt under the bank loan agreement to the bank account of the person to whom the rights (claims) under the bank loan agreement were assigned, providing a breakdown of payments in the context of each borrower.



8. A person to whom the right (claim) of a bank, an organization carrying out certain types of banking operations has been assigned, under a bank loan agreement, shall be prohibited from assigning such a right (claim) without observing the conditions provided for by this article.

Footnote. Chapter 2 is supplemented by Article 36-1 in accordance with the Law of the Republic of Kazakhstan dated 06.05.2017 № 63-VI (shall be enforced upon expiry of twenty - one calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (the order of enforcement see Article 2); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 13.05.2020 № 325-VI ( shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 04.07.2022 № 133-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 23.01.2024 № 54-VIII (shall be enforced upon expiration of sixty calendar days after the day of its first official publication); dated 19.06.2024 № 97-VIII (for the procedure for entry into force, see Article 2).

#### Article 37. Limitation period

The limitation period at the request of banks, subsidiaries of banks acquiring dubious and hopeless assets of the parent bank, the organization specified in paragraph 8 of Article 61-4 of this Law, as well as the organization specializing in improving the quality of credit portfolios of second-tier banks, to the borrowers for non-execution and (or) improper execution of bank loan contracts shall be five years.

Footnote. Article 37 is in the wording of the Law of the Republic of Kazakhstan dated 06.05.2017 № 63-VI (shall be enforced from 01.10.2017).

#### Article 38. Making payments and money transfers

1. Banks shall make payments and money transfers on the territory of the Republic of Kazakhstan in the order established by the legislation.

1-1. Second-tier banks and organizations, carrying out certain types of banking operations , for provision of services to the population related to reception and payment for rendering services in electronic form through the web portal "electronic government", shall carry out integration of their information systems with the payment gateway of "electronic government " directly or through the information system of the operator of interbank money transfer system.

1-2. Banks and organizations, carrying out certain types of banking operations, for provision the state revenues bodies with information on current accounts, opened for value added tax accounting, shall carry out interaction of their information systems with the information system of the state revenues bodies in the order, determined by the authorized body in the field of informatization.

2. In case of improper payments and money transfers, the bank shall be liable in accordance with the legislation of the Republic of Kazakhstan and the contract concluded with the client (depositor).

3. International payments and money transfers shall be carried out by the banks in the forms, methods and in the order, used in international banking practice and not contradicting the current legislation of the Republic of Kazakhstan.

4. The bank shall have the right to withdraw money from the accounts of customers (depositors) without their consent in the presence of documents confirming the forgery of payment documents, as well as in establishing the fact of their erroneous crediting.

**Footnote. Article 38 as amended by the laws of the Republic of Kazakhstan from 11.07.1997 № 154; dated 16.07.1999 № 436; dated 24.11.2015 № 419-V (shall be enforced from 01.01.2016); dated 25.12.2017 № 122-VI (shall be enforced from 01.01.2019); dated 02.04.2019 № 241-VI (shall be enforced from 01.01.2019).**

### **Article 39. Rates and tariffs**

1. Interest rates and fees as well as the tariffs for banking services shall be established by the banks, the organizations, performing certain types of banking operations independently, taking into account the restrictions, imposed by the Laws of the Republic of Kazakhstan.

2. In bank loan contracts concluded with individuals, including mortgage loan contracts, a fixed or floating interest rate shall be established and the method of repayment of the loan at the choice of the borrower from those proposed by the bank on the date of conclusion of the bank loan shall be specified by the banks, organizations carrying out certain types of banking operations,.

Before signing the bank loan contract in the cases provided by regulatory legal act of the authorized body, the bank, organization, carrying out certain types of banking operations, shall be obliged to provide an individual with the drafts of schedules of the loan repayment, calculated by different methods to choose the method of the loan repayment. The borrower on a mandatory manner, must be presented with draft of schedules of the loan repayment calculated in accordance with the methods of calculating regular payments on loans issued by banks, organizations, carrying out certain types of banking operations, to the individuals and temporary bases for calculating remuneration on such loans, established by the regulatory legal act of the authorized body, with the frequency, established in the bank loan contract, with the following methods of repayment:

the method of differentiated payments, in which the repayment on a bank loan debt shall be carried out with decreasing payments, comprising equal amounts of payments on the principal debt and interest accrued for the period on the principal debt balance;

the method of annuity payments, in which the repayment of a bank loan debt shall be carried out in equal payments over the entire period of the bank loan, including increasing payments on the principal debt and decreasing payments on interest accrued for the period on the principal debt balance. The sizes of the first and last payments may differ from others.

The bank, organization, carrying certain types of banking operations, shall have the right to offer the borrower additional methods of repayment of the loan, calculated according to their internal rules.

The fixed rate of remuneration shall not be subject to change unilaterally, except in cases of its change in the direction of decrease or temporary change in the direction of decrease by the bank, an organization, carrying out certain types of banking operations, performed in the order, established by Article 34 of this Law.

Temporary change of the interest rate in direction of decrease means the decrease of size of interest rates by the bank, organization, carrying out certain types of banking operations, for a certain period after which the interest rate shall be set at a rate not exceeding the interest that was rate in effect before the temporary change.

By agreement of the parties, the fixed rate of remuneration may be changed to a floating rate of remuneration during the term of the contract.

By agreement of the parties, the fixed interest rate may be changed in the direction of increase upon expiration of its validity period determined by the contract, but not earlier than three years from the date of conclusion of the bank loan contract. Each subsequent change in the direction of increasing the fixed rate of remuneration shall be possible by agreement of the parties upon expiration of the fixed rate, but not earlier than three years from the date of the previous change in the fixed rate of remuneration.

The procedure of calculation, the conditions of the floating rate of remuneration shall be determined by the regulatory legal act of the authorized body.

Banks, organizations, carrying out certain types of banking operations shall not have the right to unilaterally change in the direction of increase the amounts and procedure for calculating commissions and other payments for servicing the loan, established on the date of conclusion of the bank loan contract.

3. Before concluding a bank loan agreement with an individual not related to entrepreneurial activity, a bank, an organization carrying out certain types of banking operations, must provide an individual with a choice of lending conditions that do not provide for the collection of commissions and other payments related to the issuance and servicing a bank loan, as well as lending conditions providing for the right of a bank, an organization carrying out certain types of banking operations, to collect, in addition to the interest rate, commissions and other payments related to the issuance and servicing of a loan and provided for by a bank loan agreement.

Banks, organizations engaged in certain types of banking operations are obliged to indicate in bank loan agreements all commissions and other payments, as well as their amounts to be charged in connection with the issuance and servicing of a loan, and are not entitled to unilaterally introduce new types of commissions and other payments within the framework of the concluded agreement.

The list of commissions and other payments related to the issuance and maintenance of a bank loan issued to an individual is approved by the regulatory legal act of the authorized body.

3-1. Banks, organizations, carrying out certain types of banking operations shall not have the right under the bank loan contracts, concluded with individuals for the purchase of goods, works and services not related to entrepreneurial activity, to establish and charge commissions for maintaining a bank account related to the issuance and servicing of a bank loan, as well as for crediting a loan to a bank account.

4. The Internet site of the bank shall have the information about the rates and fees for banking and other services, provided to individuals and legal entities. Information on rates and tariffs shall be the latest, and contain the date of changes made to the current rates and tariffs, the number of the internal document and the body that made those changes.

5. Banks, organizations, carrying out certain types of banking operations, shall be not have the right to charge forfeit or other types of penalties for early repayment of loans, except for the cases of partial early repayment or full early repayment of the principal debt up to six months from the date of receipt of the loan, issued for a term of up to one year, up to one year from the date of receipt of the loan, issued for a term exceeding one year.

6. Banks, organizations, performing certain types of banking operations, shall not be entitled to unilaterally increase the interest rates, established on the date of the bank loan agreement, concluded with legal entities, except for the following cases:

1) breach of obligations by the borrower on providing accurate information, related to obtaining and servicing of the loan, in the cases, stipulated by the bank loan contract;

2) when a bank, an organization, engaged in certain types of banking operations, receive the right to claim the early performance of obligation in the cases, stipulated by the Civil Code of the Republic of Kazakhstan, as well as in the following cases, stipulated by the bank loan contract:

changes in the composition of members (shareholders) of the borrower, together owning ten or more percent of the shares (ownership interest) of a joint stock company (business partnership), without a preliminary written consent of the bank (the organization performing certain types of banking operations);

when the borrower and (or) the mortgagor violates the rights of a bank, an organization, engaged in certain types of banking operations, which are the mortgagees, to check the documents and factual presence, size, condition and storage conditions of the mortgaged property, and the third parties' claims to the property of the borrower (mortgagor), including to the property, mortgaged to the bank, the organization engaged in certain types of banking operations.

7. Banks, with the exception of Islamic banks, organizations engaged in certain types of banking operations are obliged to indicate interest rates in reliable, annual, effective, comparable terms (real value) in contracts concluded with clients, as well as when disseminating information on the amount of remuneration for loans and deposits (excluding interbank), including its publication.

The size of the annual effective interest rate on loans must not exceed the maximum amount determined by a joint regulatory legal act of the authorized body and the National Bank of the Republic of Kazakhstan.

The procedure for calculating interest rates in a reliable, annual, effective, comparable calculation (real value) for loans and deposits is approved by the regulatory legal act of the authorized body.

Footnote. Article 39 is in the wording 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); as amended by the Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V (the procedure for enforcement see Article 2); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated 21.01.2019 № 217-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 19.06.2024 № 97-VIII (comes into effect sixty calendar days after the date of its first official publication).

Article 40. Prohibition on granting preferential terms to the persons, related to the bank by special relations

1. Banks shall be prohibited to grant preferential terms to the persons, related to the bank by special relations.

Banks shall be prohibited to issue unsecured loans (blank loans) to the persons, related to the bank by special relations, except for loans in the amount not exceeding the amount established by the regulatory legal act of the authorized body, as well as loans to the persons who are the members of the banking conglomerate.

Banks shall be prohibited to issue loans to the members of the board of directors and major participants of these banks, except for bank loans and financing provided by subparagraphs 4) and 5) of paragraph 1 of Article 52-5 of this Law, issued in an amount not exceeding the amount established by the regulatory legal act of the authorized body.

2. Granting preferential terms to a person, related to the bank by special relations means making a transaction with a person, related to the bank by special relations, or in its interests, which by its nature, purpose, features and risk, the bank would not make with a person not related to it by special relations, namely:

1) charging of remuneration and fees for performing banking operations is lower than under the terms, offered to third parties;

2) payment of remuneration on deposits and other funds attracted by the bank from a person related to the bank by special relations is higher than under the terms, offered to third parties;

3) acceptance of pledges, guarantees, sureties or other means of ensuring the performance of obligations in an amount lower than required for similar transactions with third parties;

4) provision of deferral for charging of remuneration, repayment of the principal debt and (or) other payments for banking operations more than for similar operations with third parties;

5) payment of the acquired property and (or) services to a person, related to the bank by special relations at a price higher than the payment of similar acquired property and (or) services to third parties on a transaction or a set of transactions, the value of which exceeds the amount established by the regulatory legal act of the authorized body;

6) sale of property to a person, related to the bank by special relations at a value lower than the sale of similar property to third parties or below the market value;

7) sale of securities to a person related to the bank by special relations at a value lower than the sale of similar securities to third parties or below the market value;

8) making transactions previously referred by the authorized body to the transactions with preferential conditions through the use of reasoned judgment.

Additional criteria for classifying transactions as transactions with preferential conditions shall be established by the regulatory legal act of the authorized body.

3. The following persons shall be recognized as persons, related to the bank by special relations:

1) an official or executive employee, heads and permanent members of the committees of the board of directors and the relevant body of the bank, whose powers include making decisions on the alienation of assets, change of the pledge and termination of the pledge (except for the cases of repayment by the debtor of obligations to the bank, secured by the pledge, or charging of the pledge by the bank), decisions on the issuance of bank loans and bank guarantees in the amounts above the established by the regulatory legal act of the authorized body, as well as their spouses and close relatives;

2) an individual or a legal entity, who is a major participant of this bank, or an official of a major participant of the bank, as well as their spouses and close relatives;

3) a legal entity in which the persons, specified in subparagraphs 1) and 2) of this paragraph own ten or more percent of the placed shares (excluding the preferred and redeemed shares) or participation stakes in the authorized capital or are officials;

4) affiliated persons of the bank;

5) an individual or legal entity corresponding to the characteristics of connection with the bank by special relations, established by the regulatory legal act of the authorized body.

The authorized body shall have the right to classify an individual or a legal entity to the persons, connected with the bank by special relations, by using a reasoned judgment. In this case, this individual or a legal entity shall be recognized by the bank as a person connected with it by special relations, from the date of receipt by the bank of the appropriate supervisory response measures of the authorized body.

For the purposes of this article, persons associated with the bank by special relations are not recognized as an independent director, a national management holding that is a shareholder of the bank, and legal entities, ten or more percent of shares (stakes in the authorized capital) of which belong to such a national management holding, as well as legal entities in which an official of a bank, who is an independent director, is an independent

director in the management bodies, an organization specializing in improving the quality of loan portfolios of second-tier banks, and an organizer of an auction, the shareholder of which is the National Bank of the Republic of Kazakhstan, in case the official the bank is an official in these organizations, as well as other persons determined by the regulatory legal act of the authorized body.

For the purposes of recognition of persons, related to the branch of a non-resident bank of the Republic of Kazakhstan by special relations:

the bank in subparagraph 1) of part one of this paragraph shall be understood to mean a branch of a non-resident bank of the Republic of Kazakhstan and (or) a non-resident bank of the Republic of Kazakhstan;

the bank in subparagraph 2) of part one of this paragraph shall be understood to mean a non-resident bank of the Republic of Kazakhstan;

the bank in subparagraphs 4) and 5) of part one of this paragraph shall be understood to mean a branch of a non-resident bank of the Republic of Kazakhstan.

4. The bank cannot make a transaction with any person, the value of which exceeds the amount, established by the regulatory legal act of the authorized body, and which entails:

payment of obligations to the person related with the bank by special relations;

purchase of any property from a person connected with the bank by special relations;

acquisition of securities, issued by a person, related with the bank by special relations, except for the securities owned by the bank.

5. A transaction with a person, related with the bank by special relations may be made subject to the requirements of paragraph 1 of this Article only by the decision of the board of directors of the bank, except for the cases when the standard terms of such transactions are approved by the board of directors of the bank and shall be applied to similar transactions with third parties.

The waiver of the rights of claims in respect of assets granted (placed) to the persons (at the persons) related with the bank by special relations shall be carried out with the subsequent notification of the general meeting of shareholders, except for subsidiaries of the bank acquiring dubious and hopeless assets of the parent bank.

The person, specified in paragraph 3 of this Article shall not participate in consideration and decision-making of any transaction between the bank and:

by him/her;

any of his/her close relatives or his/her spouse;

any legal entity in which he/she or any of his/her close relatives, his or her spouse is an official (except for an independent director) or a major participant.

The decision of the board of directors on any transaction between the bank and a person related with the bank by special relations may be taken only after consideration of all its terms by the board of directors.



For the purposes of applying to a branch of a non-resident bank of the Republic of Kazakhstan the requirements of this paragraph и paragraph 1 of this Article, the board of directors of the bank shall be understood to mean a relevant governing body of a non-resident bank of the Republic of Kazakhstan.

6. The bank is obliged to provide the National Bank of the Republic of Kazakhstan with information on persons related to the bank by special relations, as well as on all transactions concluded with these persons, in the manner, terms and forms that are provided for by the regulatory legal act of the National Bank of the Republic of Kazakhstan as agreed with the authorized body.

7. The requirements of this Article shall apply to bank holding companies and organizations, carrying out certain types of banking operations.

The list of persons, related with the banking conglomerate by special relations shall be established by the regulatory legal act of the authorized body.

8. The requirements of paragraphs 1, 2 and 4 of this Article shall not be applied to the transactions, made by a subsidiary created (acquired) under the conditions, determined by Article 11-2 of this Law with a parent bank or a subsidiary of a banking conglomerate.

The requirements of paragraph 4 of this Article shall also not be applied to the transactions of the bank with third parties, which entail the acquisition of property from a subsidiary of the bank and (or) a subsidiary of a subsidiary of the bank, created (acquired) under the conditions determined by Article 11-2 of this Law.

9. The requirements of this Article shall not apply to the non-residents of the Republic of Kazakhstan who are a bank holding company, a person, possessing the characteristics of a bank holding company, if one of the following conditions is met:

availability of an individual credit rating not lower rated A of one of the rating agencies, the list of which shall be established by the authorized body and a written confirmation from the financial supervision body of the country of origin of a bank holding company, the persons, possessing the characteristics of a bank holding company, that the specified persons are non – residents of the Republic of Kazakhstan subject to consolidated supervision;

existence of an agreement between the authorized body and the relevant supervisory body of a foreign state on the exchange of information, as well as the minimum required rating of one of the rating agencies. The minimum rating and the list of rating agencies shall be established by the regulatory legal act of the authorized body.

**Footnote. Article 40 is in the wording of the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); amended of The Law s RK of 03.07.2019 number 262 VI- (put into effect from 01/01/2020); dated 02.01.2021 № 399-VI ( shall come into force upon expiration of ten calendar days after the date of its first official publication).**

**Article 40-1. Banking ombudsman, his status, procedure for election and early termination of his powers. Council of representatives of the banking ombudsman, his competence**

1. A banking ombudsman is an individual independent in his activities, who settles disagreements arising from a bank loan agreement concluded by an individual with a bank, an organization carrying out certain types of banking operations, at his request, in order to reach an agreement on satisfying the rights and legally protected interests of the individual and a bank, an organization carrying out certain types of banking operations, as well as in the cases stipulated by paragraph 2 of this article.

The banking ombudsman is guided in his activities by the following principles:

- 1) equality of the parties;
- 2) impartiality;
- 3) observance of banking and other secrets protected by law;
- 4) observance of the rights and respect for the legally protected interests of the parties;
- 5) transparency of the decision-making procedure and validity of the decision.

2. The banking ombudsman shall settle disputes arising between a borrower who is an individual and a person to whom the right (claim) under a bank loan agreement concluded with such borrower has been assigned, based on the borrower's application.

A person to whom the right (claim) under a bank loan agreement has been assigned is obliged to interact with the banking ombudsman and provide any information and data related to the loan requested by the banking ombudsman, upon application by the borrower whose obligations under the bank loan agreement he has acquired.

3. The election of the banking ombudsman is carried out by the council of representatives from among the candidates agreed with the authorized body for compliance with the requirements established by paragraph 1 of Article 40-2 of this Law. The council of representatives is formed by one representative from:

- 1) each bank, organization carrying out certain types of banking operations, providing bank loans to individuals;
- 2) an association (union) of public associations of consumers and (or) a republican public association of consumers registered with the justice authorities and carrying out activities aimed at implementing and protecting the rights of consumers of financial services, if any;
- 3) an association (union) of financial organizations registered with the justice authorities and carrying out activities aimed at representing and protecting the common interests of banks, organizations carrying out certain types of banking operations, collection agencies;
- 4) the authorized body and the National Bank of the Republic of Kazakhstan.

A bank or an organization that carries out certain types of banking operations must, within thirty calendar days from the date of receipt of a license for the right to carry out a banking loan operation, join the council of representatives of the banking ombudsman.

The associations (unions) specified in subparagraph 3) of part one of this paragraph, within thirty calendar days from the date of registration with the justice authorities, are required to join the council of representatives of the banking ombudsman.

4. The banking ombudsman shall be elected for a term of three years.

The procedure for the election, early termination and implementation of the activities of the banking ombudsman shall be determined by this Law and the regulatory legal act of the authorized body.

The same person may not be elected as the banking ombudsman more than two times in a row.

5. Competence of the council of representatives:

- 1) recommendation of candidates for election to the position of banking ombudsman, determining the voting procedure;
- 2) approving the structure and staff (office of the banking ombudsman);
- 3) determining the procedure for financing the activities of the banking ombudsman;
- 4) approving the internal rules of the banking ombudsman in agreement with the authorized body;
- 5) providing recommendations to the banking ombudsman on improving its activities based on the results of the analysis of complaints from borrowers - individuals regarding the actions (inaction) of the banking ombudsman, conducted by the authorized body, and review of the reports of the banking ombudsman;
- 6) reviewing a petition from a member (members) of the council of representatives for early termination of the powers of the banking ombudsman on the grounds provided for in paragraph 7 of this article;
- 7) approving the procedure for recording, reviewing, adopting and executing decisions of the banking ombudsman in agreement with the authorized body;
- 8) other issues related to the implementation of the activities of the banking ombudsman, in accordance with this Law.

6. A meeting of the council of representatives shall be deemed competent, and the quorum conditions shall be met, if the members of the council of representatives present at it have in aggregate fifty or more percent of the total number of votes.

The banking ombudsman shall be elected by a majority of votes of the members of the council of representatives present at the meeting of the council. Each member of the council of representatives shall have one vote during voting. In the event of a tie, the vote of the representative of the authorized body shall be decisive.

Voting on the issue of electing a banking ombudsman shall be carried out by secret ballot. The ballot paper shall contain the following information:

- 1) the last name, first name, patronymic (if indicated in the identity document) of the candidate recommended for election to the position of banking ombudsman;
- 2) information confirming the candidate's compliance with the requirements established by paragraph 1 of Article 40-2 of this Law;
- 3) information on the candidate's position held in banks, organizations carrying out certain types of banking operations, and (or) collection agencies, the authorized body, the National Bank of the Republic of Kazakhstan, on the presence of signs of affiliation with banks,

organizations carrying out certain types of banking operations, and (or) collection agencies, on close relatives, spouse and (or) in-laws working in the position of the head of the authorized body, the National Bank of the Republic of Kazakhstan or their deputies, as well as the head of a structural division of the authorized body, the National Bank of the Republic of Kazakhstan;

4) voting options on the issue, expressed in the words “for” or “against”.

7. Early termination of the powers of the banking ombudsman is carried out by the council of representatives of the banking ombudsman on the following grounds:

1) identification of non-compliance of the banking ombudsman with the requirements established by paragraph 1 of Article 40-2 of this Law;

2) holding any position in a bank, an organization carrying out certain types of banking operations, and (or) a collection agency, an authorized body, the National Bank of the Republic of Kazakhstan, the presence of signs of affiliation of the banking ombudsman with banks, organizations carrying out certain types of banking operations, and (or) collection agencies, holding by close relatives, spouse and (or) in-laws of the banking ombudsman the position of the head of the authorized body, the National Bank of the Republic of Kazakhstan or their deputies, as well as the head of a structural division of the authorized body, the National Bank of the Republic of Kazakhstan;

3) repeated (three or more times within twelve consecutive calendar months) violation of the requirements of this Law and the internal rules of the banking ombudsman.

Early termination of powers of the banking ombudsman on his initiative is carried out on the basis of a written notice to the council of representatives.

A written notice is submitted to the council of representatives at least one month before the termination of powers in the manner established by the internal rules of the banking ombudsman.

**Footnote.** Chapter 2 is supplemented by Article 40-1 in accordance with the Law of the Republic of Kazakhstan dated 10.02.2011 № 406 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan dated 19.06.2024 № 97-VIII (comes into force six months after the date of its first official publication).

#### **Article 40-2. Requirements for the banking ombudsman**

1. A person who cannot be recommended for election as a banking ombudsman:

1) who does not have a higher economic and (or) legal education;

2) who does not have an impeccable business reputation;

3) who has less than five years of experience in the provision of financial services and (or) regulation of financial services;

4) who previously held executive positions in a financial institution for a period of no more than one year prior to the authorized body’s decision to classify the bank as an insolvent bank, to forcibly redeem the bank’s shares, to revoke the license of the financial institution, as

well as to forcibly liquidate the financial institution or declare it bankrupt in accordance with the procedure established by the legislation of the Republic of Kazakhstan. This requirement shall apply for three years after the authorized body's decision to classify the bank as an insolvent bank, to forcibly redeem the bank's shares, to revoke the license of the financial institution, as well as to forcibly liquidate the financial institution or declare it bankrupt;

5) recognized by the court in the manner established by the law of the Republic of Kazakhstan as incapacitated or partially incapacitated;

6) under dynamic observation with mental behavioral disorders (diseases), including those caused by the use of psychoactive substances, in mental health service organizations.

2. The banking ombudsman shall not have the right to hold any position in a bank, an organization carrying out certain types of banking operations, and (or) a collection agency, an authorized body, the National Bank of the Republic of Kazakhstan, to be an affiliate of banks, organizations carrying out certain types of banking operations, and (or) collection agencies, to have close relatives, a spouse and (or) relatives-in-law working as the head of the authorized body, the National Bank of the Republic of Kazakhstan or their deputies, as well as the head of a structural division of the authorized body, the National Bank of the Republic of Kazakhstan.

**Footnote.** Chapter 2 is supplemented by Article 40-2, in accordance with the Law of the Republic of Kazakhstan dated 10.02.2011 № 406 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan dated 19.06.2024 № 97-VIII (enters into force six months after the date of its first official publication).

### **Article 40-3. Procedure for making decisions by the banking ombudsman**

1. The decision is made by the banking ombudsman alone and is communicated in writing to the parties involved in the dispute.

When making decisions, the banking ombudsman is guided by the legislation of the Republic of Kazakhstan and the terms of the concluded agreements.

2. The banking ombudsman shall not consider appeals:

1) accepted for consideration by the court and (or) for which there is a judicial act that has entered into legal force;

2) for which the applicant has not submitted written evidence of his appeal to the bank, organization carrying out certain types of banking operations, the person to whom the right (claim) under the bank loan agreement has been assigned, in order to resolve the situation that has arisen within the framework of the bank loan agreement;

3) sent again in the absence of new circumstances of the case.

3. The decision of the banking ombudsman is binding on the bank, organization carrying out certain types of banking operations, the person to whom the right (claim) under the bank loan agreement concluded with the borrower - an individual has been assigned, if accepted by the individual.

Consideration of appeals of individuals and decision-making in cases stipulated by paragraphs 1 and 2 of Article 40-1 of this Law shall be carried out by the banking ombudsman free of charge.

The results of the review of the appeal are recorded in a protocol signed by the banking ombudsman, with it being communicated to the individual and the bank, the organization carrying out certain types of banking operations, the person to whom the right (claim) under the bank loan agreement concluded with the borrower has been assigned.

The protocol must contain:

- 1) the date and place of its signing;
- 2) the last name, first name, patronymic (if indicated in the identity document) of the banking ombudsman;
- 3) the last name, first name, patronymic (if indicated in the identity document), contact telephone number of the applicant - an individual, the name of the bank, organization carrying out certain types of banking operations, the person to whom the right (claim) under the bank loan agreement concluded with the borrower - an individual has been assigned, their addresses and details;
- 4) the subject of the dispute or the stated claim of the individual;
- 5) the circumstances of the case established by the banking ombudsman;
- 6) the decision of the banking ombudsman on full or partial satisfaction or refusal to satisfy the application of the applicant - an individual;
- 7) the period for executing the decision of the banking ombudsman;
- 8) the period for informing the bank, the organization carrying out certain types of banking operations, the person to whom the right (claim) under the bank loan agreement concluded with the borrower - an individual has been assigned, about the results of the execution of the decision.

4. In response to requests from borrowers - individuals concerning changes in the terms of fulfillment of obligations under bank loan agreements, the banking ombudsman assists the parties in reaching a mutually acceptable solution and making an agreed upon decision by the parties to change the terms of fulfillment of obligations under the bank loan agreement.

In case of disagreement with the decision of the banking ombudsman, the interested party has the right to go to court.

In the event of failure by a bank, an organization carrying out certain types of banking operations, or a person to whom the right (claim) under a bank loan agreement concluded with the borrower has been assigned, to comply with the decision of the banking ombudsman within the time limit established by it, the banking ombudsman is obliged to inform the authorized body thereof no later than five working days.

The period for execution by a bank, an organization carrying out certain types of banking operations, or a person to whom the right (claim) under a bank loan agreement concluded

with the borrower has been assigned, of the decision of the banking ombudsman is thirty calendar days, unless another period is established by agreement of the parties.

Footnote. Chapter 2 is supplemented by Article 40-3 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); as amended by the Law of the Republic of Kazakhstan dated 19.06.2024 № 97-VIII (comes into effect six months after the date of its first official publication).

#### **Article 40-4. Activities of the banking ombudsman**

1. The activities of the banking ombudsman, including the procedure and timeframes for considering applications for dispute resolution and decision-making, are carried out on the basis of the internal rules of the banking ombudsman.

2. In order to properly perform the assigned functions, the activities of the banking ombudsman are financed by mandatory contributions from banks, organizations carrying out certain types of banking operations, collection agencies to which the right (claim) under the bank loan agreement concluded with the borrower has been assigned.

In the event of non-payment, late payment or partial payment of mandatory contributions, the banking ombudsman, within seven working days from the date of sending the notice of payment of mandatory contributions, shall inform the authorized body of the improper performance by the bank, organization carrying out certain types of banking operations, collection agency to which the right (claim) under the bank loan agreement concluded with the borrower has been assigned, of its obligations stipulated by this paragraph.

The bank, organization carrying out certain types of banking operations, collection agency to which the right (claim) under the bank loan agreement concluded with the borrower has been assigned, are obliged to pay mandatory contributions to the office of the banking ombudsman within the timeframes and in the manner determined by the internal rules of the banking ombudsman.

3. The banking ombudsman, in agreement with the council of representatives, forms an office with an organizational structure and staff.

4. The internal rules of the banking ombudsman must determine:

- 1) the structure, tasks and powers of the audit commission and other permanent bodies (if any);
- 2) the rights, duties and responsibilities of the banking ombudsman;
- 3) the procedure for resolving disputes;
- 4) other issues related to the implementation of the activities of the banking ombudsman.

5. The banking ombudsman is obliged to maintain confidentiality with respect to information obtained during the resolution of disputes and not to disclose it to third parties.

The banking ombudsman shall bear responsibility established by the laws of the Republic of Kazakhstan for the disclosure of information obtained during the implementation of his activities.



In the event of failure by the banking ombudsman to comply with the requirements stipulated by paragraph 1 of this article and this paragraph, the council of representatives shall terminate his powers early.

6. The following information is posted on the Internet resource of the banking ombudsman:

- 1) full name, address (location), telephone numbers, office hours, including divisions and representative offices;
- 2) information on the election of the banking ombudsman;
- 3) a list of financial organizations, associations (unions) included in the council of representatives of the banking ombudsman;
- 4) information on the types of services provided by the banking ombudsman;
- 5) the procedure for recording, reviewing, adopting and executing decisions of the banking ombudsman;
- 6) monthly information on the results of the work of the banking ombudsman;
- 7) annual reports on the results of the activities of the banking ombudsman;
- 8) a section for consumers of financial services with the publication of informational and explanatory materials and materials of judicial practice;
- 9) a list of agreements and memoranda concluded with financial market participants;
- 10) other information in accordance with the internal rules of the banking ombudsman.

7. In the event of a change in location, the banking ombudsman is obliged to notify consumers of financial services by publishing an announcement in two periodicals distributed throughout the territory of the Republic of Kazakhstan, in Kazakh and Russian languages no later than one month and on the Internet resource of the banking ombudsman within ten working days.

8. The banking ombudsman, by decision of the council of representatives, must ensure:

- 1) the use of specialized software for the automation of accounting and processing of consumer requests;
- 2) the introduction of a call center or hotline in the office of the banking ombudsman to provide consulting services to borrowers - individuals;
- 3) prompt receipt of the credit record of the borrower - an individual in the information base of the credit bureau on the basis of an agreement.

Based on the results of the analysis of requests from borrowers - individuals, the banking ombudsman has the right to send recommendations to the authorized body on improving the banking legislation of the Republic of Kazakhstan, as well as the activities of banks, organizations carrying out certain types of banking operations, collection agencies.

9. The authorized body:

- 1) coordinates internal rules, the procedure for recording, reviewing, adopting and executing decisions of the banking ombudsman;

2) considers complaints from borrowers - individuals regarding the actions (inaction) of the banking ombudsman;

3) sends recommendations to the council of representatives on the activities of the banking ombudsman in cases where violations of the rights of consumers of financial services are detected in the actions (inaction) of the banking ombudsman;

4) performs other functions related to the activities of the banking ombudsman, in accordance with this Law.

Footnote. Chapter 2 is supplemented by Article 40-4 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); as amended by the Law of the Republic of Kazakhstan dated 19.06.2024 № 97-VIII (comes into force six months after the date of its first official publication).

#### **Article 40-5. The system of risk management and internal control**

1. The banks shall form a system of risk management and internal control, which shall include:

1) the powers and responsibilities for risk management and internal control of the board of directors, the management board, the bank's departments, their liability;

2) internal policies and procedures for risk management and internal control;

3) the limits on the permissible extent of risks separately for by types of banking operations;

4) internal reporting procedures for risk management and internal control to the bank's bodies;

5) internal criteria for evaluating the effectiveness of the risk management system.

The order of formation of the system of risk management and internal control shall be established by the regulatory legal act of the authorized body.

2. A banking conglomerate shall have a system of risk management and internal control, meeting the requirements, established by the regulatory legal act of the authorized body.

The parent organization of the banking conglomerate shall ensure compliance with the system of risk management and internal control on a consolidated basis.

The parent organization of the banking conglomerate shall be responsible for compliance of the banking conglomerate's participants with the requirements, established for the system of risk management and internal control.

3. The authorized body shall carry out assessment of compliance of the risk management and internal control system with the requirements, established by this Article.

Footnote. Chapter 3 is supplemented by Article 40-5 in accordance with the Law of the Republic of Kazakhstan dated 28.12.2011 № 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

## Chapter 4. Regulation of banks' activities

Footnote. The title of Chapter 4 is in the wording by the Law of the Republic of Kazakhstan dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009).

### **Article 41. The measures applied to the banks and their officials. The ways of banking regulation**

In order to ensure financial stability of the banks, to protect interests of their depositors and to maintain stability of the monetary system of the Republic of Kazakhstan, the authorized body shall regulate the banks' activities, including through:

- establishment of prudential standards and other mandatory standards and limits, mandatory for fulfillment by the banks, the provisions against doubtful and loss assets;
- publication of regulatory legal acts which shall be fulfilled by banks;
- inspection of the banks' activities;
- application of supervisory response measures;
- imposition of sanctions.

Bank regulation shall be carried out in respect of an individual bank, and on a consolidated basis, that is to the banking conglomerate. The consolidated supervision rules shall be established by the authorized body.

Footnote. Article 41 as amended by the Laws of the Republic of Kazakhstan, dated 11 July, 1997 No 154; dated 16 July, 1999 No 436; dated 2 March 2001 No 162 (see Art. 2); dated 10 July 2003 No 483 (shall be enforced from 1 January 2004); dated 8 July, 2005 No 69 ; dated 23 December, 2005 No 107 (the order of enforcement see Article 2 of the Law No 107 ); by the Law of the Republic of Kazakhstan dated 31 January 2006 No 125; as amended by the Law of the Republic of Kazakhstan dated 23.10.2008 No 72 -IV (the order of enforcement see Article 2); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

### **Article 42. Prudential standards and other mandatory standards and limits**

1. The structure of prudential standards, established by the authorized body for their mandatory fulfillment by the banks, shall include:

- the minimum amount of the authorized capital of the bank;
- the minimum amount of the equity capital of the bank;
- the equity capital adequacy ratio;
- the maximum exposure to a single borrower;
- liquidity ratio;
- the limits of open currency position;
- borrower's debt burden ratio;
- borrower's debt-to-income ratio.

The structure of the prudential standards, established by the authorized body for their mandatory observance by the banking conglomerates, shall include:

- the minimum amount of the authorized capital;

the equity capital adequacy ratio;  
the maximum exposure to a single borrower.

The authorized body shall be entitled to establish additional prudential standards and other mandatory standards and limits used in the international banking practice.

In accordance with the banking legislation of the Republic of Kazakhstan, the authorized body shall take steps to bring the banks and (or) bank holding companies or their officials and (or) the major participants of banks to responsibility for violation of prudential standards by the banks and (or) other mandatory standards and limits.

The authorized body shall be entitled to establish on banks and banking conglomerates that do not have a bank holding company, certain prudential standards and their values at the level, sufficient to cover the potential significant losses, arising from the possible maximum changes of the risk factors, inherent in the bank and the banking conglomerate.

1-1. Prudential standards and other mandatory norms and limits for Islamic banks, their normative values and calculation methodology are established by a regulatory legal act of the authorized body, taking into account the specifics of Islamic banks' banking activities provided for by this Law.

The list, forms of reporting on the fulfillment of prudential standards by Islamic banks, the terms and procedure for its submission to the National Bank of the Republic of Kazakhstan are established by the regulatory legal act of the National Bank of the Republic of Kazakhstan in agreement with the authorized body.

2. In order to resolve the issue on compliance of the bank's financial situation with the established requirements, the authorized body shall be entitled to define the amount of the bank's capital for a certain date.

3. Regulatory values and methods for calculating prudential standards and other mandatory standards and limits, the size of the capital of a bank and a banking conglomerate, the procedure for calculating and limits of an open foreign exchange position are established by regulatory legal acts of the authorized body.

The list, forms of reporting on the fulfillment of prudential standards by banks and banking conglomerates, the terms and procedure for its submission to the National Bank of the Republic of Kazakhstan are established by regulatory legal acts of the National Bank of the Republic of Kazakhstan in agreement with the authorized body.

3-1. In case of failure of a bank or a participant of a bank conglomerate to fulfill the requirements of the authorized body, indicated in a written prescription, on correcting the data in the financial and (or) other statements, the calculation of prudential standards and other mandatory standards and limits shall be carried out by the authorized body on the basis of the statements, corrected by it.

4. In case of breaking of the capital adequacy ratios by the bank, the banking conglomerate, established by the regulatory legal acts of the authorized body, the bank, the bank holding company shall submit a recapitalization plan to the authorized body. The plan

shall be submitted within one month from the date of breaking the capital adequacy ratio with the detailed description of the measures and deadlines, set for elimination of violations.

5. Bank holding companies, as well as the major participants of the bank shall take measures, specified by the regulatory legal acts of the authorized body to maintain the equity capital adequacy ratios of the bank and the banking conglomerate.

In case of worsening of the financial condition of the bank or the bank conglomerate, the bank holding company, the major participant of the bank, at the request of the authorized body, shall take measures to improve the financial situation of the bank or the banking conglomerate, including to increase the equity capital of the bank or the banking conglomerate in the amount sufficient to ensure financial stability of the bank or the banking conglomerate.

If the requirements, provided by this paragraph, the authorized body shall have the right to apply compulsory supervisory response measures, provided by Article 47-1 of this Law to the bank holding company, a major participant of a bank.

6. In order to ensure the integrity and stability of the financial system, protect the legitimate interests of depositors and creditors, the authorized body shall establish prudential standards and other mandatory standards and limits for a branch of a non-resident bank of the Republic of Kazakhstan.

In order to ensure the financial stability of a branch of a non-resident bank of the Republic of Kazakhstan, a non-resident bank of the Republic of Kazakhstan shall form the assets of a branch of a non-resident bank of the Republic of Kazakhstan, accepted as a reserve.

Prudential standards and other mandatory norms and limits for branches of non-resident banks of the Republic of Kazakhstan (including branches of Islamic banks-non-residents of the Republic of Kazakhstan), their standard values and calculation methods, including the procedure for forming assets of branches of banks - non-residents of the Republic of Kazakhstan (including branches of Islamic banks-non-residents of the Republic of Kazakhstan), accepted as a reserve, and their minimum amount, shall be established by the regulatory legal acts of the authorized body.

The list, forms of reporting on the implementation of prudential standards by branches of non-resident banks of the Republic of Kazakhstan (including branches of Islamic banks-non-residents of the Republic of Kazakhstan), the timing and procedure for its submission to the National Bank of the Republic of Kazakhstan shall be established by regulatory legal acts of the National Bank of the Republic of Kazakhstan in agreement with the authorized body.

The authorized body, in accordance with the banking legislation of the Republic of Kazakhstan, shall take measures to hold accountable of a branch of a non-resident bank of the Republic of Kazakhstan for violation of prudential standards by a branch of a non-resident bank of the Republic of Kazakhstan and ( or) other binding norms and limits.

In order to resolve the issue of compliance of the financial position of a branch of a non-resident bank of the Republic of Kazakhstan with the requirements, the authorized body shall have the right to determine the amount of assets of a branch of a non-resident bank of the Republic of Kazakhstan, accepted as a reserve, on a specific date.

If the branch of a non-resident bank of the Republic of Kazakhstan fails to comply with the requirements of the authorized body specified in the written order to adjust the data in the statements according to accounting data and (or) other statements, the calculation of prudential standards and other mandatory norms and limits shall be carried out by the authorized body on the basis of their revised reports.

In the event that a branch of a non-resident bank of the Republic of Kazakhstan violates the adequacy ratio of assets accepted as a reserve established by the regulatory legal act of the authorized body, the branch of a non-resident bank of the Republic of Kazakhstan must submit to the authorized body a recapitalization plan. The plan must be submitted within one month from the date of the violation of the adequacy ratio of assets accepted as a reserve, with a detailed description of the measures and deadlines for eliminating violations.

A non-resident bank of the Republic of Kazakhstan shall be obliged to take measures provided for by the regulatory legal act of the authorized body to maintain the adequacy ratio of assets accepted as a reserve, of a branch of a non-resident bank of the Republic of Kazakhstan.

In case of deterioration of the financial position of a branch of a non-resident bank of the Republic of Kazakhstan, the non-resident bank of the Republic of Kazakhstan shall be obliged, at the request of the authorized body, to take measures to improve the financial position of a branch of a non-resident bank of the Republic of Kazakhstan, including an increase in the assets of a branch of a non-resident bank of the Republic of Kazakhstan, accepted as a reserve, in an amount sufficient to ensure the financial stability of a branch of a non-resident bank of the Republic of Kazakhstan.

**Footnote. Article 42 as amended by the Laws of the Republic of Kazakhstan dated 07.12.1996 No 50; dated 11.07.1997 No 154; dated 16.07.1999 No 436; dated 02.03.2001 No 162 (see Art. 2); dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 08.07.2005 No 69; dated 23.12.2005 No 107 (the order of enforcement see Art. 2 of the Law No 107); dated 19.02.2007 No 230 (the order of enforcement see Art. 2); dated 12.02.2009 No 133 -IV (the order of enforcement see Art. 2); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); dated 28.12.2011 No 524 - IV (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 24.11.2015 № 422-V (shall come into force from 16.12.2020); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 19.06.2024 № 97-VIII (comes into effect sixty calendar days after the date of its first official publication).**

## Article 43. Provisions (reserves)

1. Is excluded by the Law of the Republic of Kazakhstan dated 25.12.2017 № 122-VI (shall be enforced from 01.01.2018).

2. In order to ensure an appropriate level of control and reliability of their activities in accordance with the nature and scale of the operations performed, the banks shall be required to establish provisions (reserves) in accordance with the international financial reporting standards.

3. Assessment of the adequacy of provisions (reserves) created by the bank shall be carried out by the authorized body, including the use of the reasoned judgment, for conformity, compliance and application of international financial reporting standards.

Footnote. Article 43 is in the wording by the Law of the Republic of Kazakhstan dated 26.12.2012 No 61 -V (shall be enforced from 01.01.2013); as amended by the Law of the Republic of Kazakhstan dated 25.12.2017 № 122-VI (shall be enforced from 01.01.2018); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

Article 44. Verification of activities of the banks, major participants of banks, bank holding companies and members of banking conglomerates

Footnote. The title of Article 44 as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication).

1. Verification of activities of the banks, major participants of banks, bank holding companies and participants of bank conglomerates shall be conducted by the authorized body independently or with involvement of other state bodies and (or) the organizations.

When conducting verification of activities of the banks and (or) participants of banking conglomerates (except for bank holding companies), the authorized body shall have the right to inspect the activities of the affiliated persons of banks solely for the purpose of determining the extent and nature of their influence on the activities of banks.

2. Banks, major participants of the banks, bank holding companies, participants of bank conglomerates, and also their affiliated persons shall be obliged to provide assistance to the inspection on the issues specified in the task of the authorized body for verification, and also to provide opportunity to interview any officials and employees and access to any sources of information necessary to perform verification.

3. Employees of the authorized body shall be prohibited from disclosing or transferring information to third parties, obtained during the verification of activities of the banks, major participants of banks, bank holding companies and members of banking conglomerates.

4. The persons carrying out the verification shall be responsible for disclosure of information, obtained during the verification of activities of the banks, major participants of banks, bank holding companies, members of banking conglomerates and constituting a banking or commercial secret.



5. The requirements of paragraphs 1 and 2 of this Article shall not apply to non-residents of the Republic of Kazakhstan, being a major participant of the bank – a legal entity, bank holding company, a person having characteristics of a major participant of the bank or bank holding company if one of the following conditions is met:

availability of an individual credit rating not lower rated A of one of the rating agencies, the list of which shall be established by the authorized body and written confirmation from the financial supervision body of the country of origin of the major participant of the bank – a legal entity, bank holding company, the person, having characteristics of the major participant of the bank or bank holding company, that the specified persons-non-residents of the Republic of Kazakhstan subject to consolidated supervision;

existence of an agreement between the authorized body and the relevant supervisory body of a foreign state for the information exchange, as well as the minimum required rating of one of the rating agencies. Minimum rating and the list of the rating agencies are established by the regulatory legal act of the authorized body.

6. When conducting an audit of the activities of a branch of a non-resident bank of the Republic of Kazakhstan, the authorized body shall have the right to receive information about the activities of a non-resident bank of the Republic of Kazakhstan from the financial supervisory authority of the state whose resident is the non-resident bank of the Republic of Kazakhstan, within the framework of the agreement specified in subparagraph 3) of paragraph 1 of Article 13-1 of this Law.

**Footnote.** Article 44 is in the wording by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan dated 26.12.2012 No 61 -V (shall be enforced from 04.02.2012); dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the of its first official publication); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).

#### **Article 45. Early response measures**

1. In order to protect the legitimate interests of depositors and creditors of banks, ensure financial stability of the bank, to prevent deterioration of its financial situation and increase risks, associated with banking activities, the authorized body shall carry out analysis of the activities of banks to identify factors, affecting the deterioration of financial situation of the bank. The factors, affecting the deterioration of financial situation of the bank shall be established by the regulatory legal act of the authorized body.

2. In order to ensure financial stability of the banking conglomerate, to prevent deterioration of its financial situation and increasing risks associated with the activities of the banking conglomerate, the authorized body shall carry out analysis of the activities of the banking conglomerate to identify factors, affecting the deterioration of financial situation of the banking conglomerate.

The factors affecting the deterioration of financial situation of the banking conglomerate shall be established by the regulatory legal act of the authorized body.

3. In the case of revelation of the factors, specified in paragraph 1 of this Article, in the result of the analysis of the financial condition of the bank and (or) upon the results of its inspection, the authorized body shall send a written claim to the bank and (or) its shareholders to submit an action plan, providing the measures of early response to improve the financial stability of the bank, preventing worsening of its financial condition growth of risks, associated with the banking activities.

The bank and (or) its shareholders shall be obliged to develop and submit to the authorized body an action plan specifying the deadlines for each paragraph and responsible executives within no more than five working days from the date of receipt of the specified requirement.

When the authorized body approves the action plan, the bank and (or) its shareholders shall start its implementation, notifying the authorized body of the results of its implementation within the timeframes, set by the plan.

In case of disapproval of the action plan, the authorized body shall apply to the bank and (or) its major participants (bank holding companies) the supervisory response measures provided by this Law.

4. In the case of revelation of the factors, specified in paragraph 2 of this Article, in the result of the analysis of the financial condition of the banking conglomerate and (or) upon the results of inspection of the bank holding company or the members of the banking conglomerate, the authorized body shall send a written claim to the bank holding company and (or) its major participants to submit an action plan, providing for the early response measures to improve the financial stability of the banking conglomerate, to prevent worsening of its financial condition and growth of risks, associated with the activities of the banking conglomerate.

The bank holding company and (or) its major participants shall obliged to develop and submit to the authorized body an action plan specifying the deadlines for each paragraph and responsible executives within no more than five working days from the date of receipt of the specified requirement.

When the authorized body approves the action plan, the bank holding company and (or) its major participants shall start implementing it, notifying the authorized body of the results of its implementation within the planned timeframes.

In case of disapproval of the action plan, the authorized body shall apply to the bank holding company and (or) its major participants the supervisory response measures provided by this Law.

5. In case of failure to submit, within the time limits established by paragraphs 3 and 4 of this article, an action plan aimed at increasing the financial stability of the bank (banking conglomerate), failure or untimely implementation of the actions of this plan to the bank (

bank holding company) and (or) its major participants the supervisory response measures provided for by this Law are applied.

6. The procedure for approval of the action plan providing for early response measures and the methodology for determining factors affecting deterioration of financial situation of the bank (banking conglomerate) shall be established by the regulatory legal act of the authorized body.

7. The requirements of this Article shall not apply to the non-residents of the Republic of Kazakhstan, that are the bank holding company, the entity, having the characteristics of a bank holding company, if any of the following conditions are observed:

presence of an individual credit rating not lower than the A rating of one of the rating agencies, the list of which shall be established by the authorized body, as well as a written confirmation from the Financial Supervisory Authority of the country of origin of the bank holding company, the entity, having the characteristics of a bank holding company, about the fact that the said entities-non-residents of the Republic of Kazakhstan shall be subject to the consolidated supervision;

existence of an agreement between the authorized body and the relevant supervisory body of a foreign state for the information exchange, as well as the minimum required rating of one of the rating agencies. Minimum rating and the list of the rating agencies are established by the regulatory legal act of the authorized body.

**Footnote. Article 45 is in the wording by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan dated 26.12.2012 No 61 -V (shall be enforced from 04.02.2012); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).**

#### Article 45-1. Supervisory response measures

1. In order to protect the legitimate interests of depositors, creditors, customers and correspondents of the bank, organization, carrying out certain types of banking operations, ensuring financial stability of the bank and (or) the banking conglomerate, organizations carrying out certain types of banking operations and prevent deterioration in their financial situation and increasing risks associated with banking activities, the authorized body shall apply supervisory response measures to the bank, organization, carrying out certain types of banking operations, bank holding company, their executive employees, organizations, members of a banking conglomerate, major participants of the bank, persons possessing the characteristics of a major participant of the bank or a bank holding company.

2. The grounds for application of supervisory response measures shall be:

1) violation of the legislation of the Republic of Kazakhstan on the issues within the competence of the authorized body;

2) deficiencies and (or) the risks in the activities of the bank, organization, carrying out certain types of banking operations, organizations, members of the banking conglomerate, revealed by the authorized body in the framework of implementation of functions on control and supervision, including with the use of reasoned judgment, which can lead to a situation that threatens stable functioning of the bank or organization carrying out certain types of banking operations, and (or) the interests of their depositors, and (or) creditors and (or) customers, and (or) stability of the banking system;

3) identification of illegal actions or inaction of the executive employees of the bank, organization carrying out certain types of banking operations, the bank holding company, which may threaten their stable functioning and (or) the interests of their depositors, creditors, customers and correspondents;

4) sufficient data to recognize the actions (inaction) of the executive employee (executives) not complying with the requirements of the legislation of the Republic of Kazakhstan on the issues within the competence of the authorized body, and (or) evidencing on damage to the bank and (or) its depositors, creditors and customers;

5) commission of actions by a person having characteristics of a major participant of the Bank or bank holding company and a major participant of the bank (including organizations over which a major participant has control), bank holding company or legal entities, members of the banking conglomerate, as a result of which the bank caused or may be caused damage;

6) unstable financial situation of the persons having characteristics of a major participant of the bank or bank holding company and major participants of the bank (including organizations over which a major participant of the bank has control), bank holding company or organizations, that are members of the banking conglomerate;

7) non-fulfillment of supervisory response measures previously applied in accordance with this Law;

8) failure to submit to the authorized body or the National Bank of the Republic of Kazakhstan or submission of false reports or information, as well as other information requested by the authorized body or the National Bank of the Republic of Kazakhstan;

9) obstruction by the bank, organization carrying out certain types of banking operations, bank holding company, organizations which are a part of the banking conglomerate, major participants of the bank to conduct audit, which caused impossibility of its conducting in the established terms;

10) non-elimination by the bank, a bank holding company, organization in which the bank and (or) bank holding company are major participants, of deficiencies that affect financial state of the bank or the banking conglomerate specified in the audit report within the terms provided by paragraph 6 of Article 57 of this Law.

3. When determining the appropriateness of applying supervisory response measures and choosing a supervisory response measure, the following shall be taken into account:

1) risk level, nature of violations and (or) deficiencies and their consequences;

2) scale and significance of committed violations and (or) deficiencies and their consequences;

3) regularity and duration of violations and (or) deficiencies;

4) impact of committed violations and (or) deficiencies on the financial state;

5) ability to adjust the situation as a result of applying the chosen supervisory response measure;

6) availability and effectiveness (efficiency) of the previously applied supervisory response measures;

7) adequacy of the applied supervisory response measure to the bases of its application;

8) reasons which caused occurrence of the revealed violations and (or) deficiencies and (or) risks;

9) adoption by the bank, organization, carrying out certain types of banking operations, bank holding company, organizations within the banking conglomerate, the major participant of the bank of independent measures aimed at elimination of violations and (or) deficiencies identified in the activity, effectiveness of implementation (non-implementation) in connection with this, of specific measures for realization of the adopted measures and (or) willingness to take such measures.

4. The authorized body shall apply the following supervisory response measures:

1) recommendatory measures of supervisory response in accordance with Article 45-2 of this Law;

2) measures on improving financial status and (or) minimize risks in accordance with Article 46 of this Law;

3) compulsory measures of supervisory response in accordance with Article 47-1 of this Law.

4-1. The National Bank of the Republic of Kazakhstan applies to legal entities operating exclusively through exchange offices on the basis of a license of the National Bank of the Republic of Kazakhstan for exchange operations with foreign currency in cash, and to legal entities whose exclusive activity is the collection of banknotes, coins and valuables, the supervisory response measures defined subparagraphs 1) and 2) of paragraph 4 of this article.

5. The authorized body shall have the right to apply to the bank, organization, carrying out certain types of banking operations, bank holding company, the organizations which members of a banking conglomerate, major participants of the bank any of the measures of supervisory response determined by paragraph 4 of this Article, irrespective of the measures of supervisory response applied to them earlier.

6. The order of application of supervisory response measures shall be established by the regulatory legal act of the authorized body.

7. If the person specified in paragraph 1 of this Article fails to comply with supervisory response measures, the authorized body has the right to remove the first head of the executive body or the person who solely performs the functions of the executive body of this person.

Information about the dismissal of the first head of the executive body or the person who solely performs the functions of the executive body of this person shall be sent by the authorized body to the address of the person specified in paragraph 1 of this Article.

From the moment of receipt of the decision of the authorized body on the removal of the first head of the executive body or the person solely exercising the functions of the executive body, by the person specified in paragraph 1 of this Article, all decisions of the collegiate body with the participation of the removed person shall be considered invalid.

**Footnote. Chapter 4 is supplemented by Article 45-1 in accordance with the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); amended of The Law s RK of 03.07.2019 number 262 VI- (put into effect from 01.01.2020); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).**

Article 45-2. Recommendatory measures of supervisory response.

1. The authorized body shall apply recommendatory measures of supervisory response in the cases when deficiencies, risks or violations, identified in the bank activity, organization, carrying out certain types of banking operations, the banking conglomerate and (or) organizations included in the banking conglomerate, bank holding company, major participant of the bank, including with the use of reasoned judgment, do not have an essential impact on the financial stability of the bank and (or) banking conglomerate, do not pose a threat to their financial situation and (or) the interests of bank depositors.

2. Recommendatory measures of supervisory response shall include:

1) notification on identified deficiencies, risks or violations with bringing (if necessary, determined by the authorized body) of this information to the attention of individual bodies of the bank, organization carrying out certain types of banking operations, organization included in the banking conglomerate, a major participant of the bank, the bank holding company;

2) providing recommendations of the authorized body on elimination of the revealed deficiencies, risks or violations;

3) warning about the possibility of applying other supervisory response measures in case of repeated detection by the authorized body of deficiencies, risks or violations, as well as non-fulfillment of recommendatory measures of supervisory response.

3. The recommendatory measure of supervisory response shall be drawn up by a letter of the authorized body.

**Footnote. Chapter 4 is supplemented by Article 45-2 in accordance with the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).**

Article 46. Measures for improving financial situation and (or) minimizing risks

1. The authorized body in order to eliminate deficiencies, risks or violations, including those identified with the use of reasoned judgment, shall apply measures for improving financial situation and (or) minimizing the risks of the bank, an organization carrying out certain types of banking operations, a bank holding company, a banking conglomerate and (or

) organizations included in a banking conglomerate, a major participant of the bank by filing claims for:

1) maintenance of equity capital adequacy ratios and (or) liquidity ratios above the minimum values established by the authorized body;

2) suspension and (or) restriction of carrying out certain types of banking and other operations, commission of certain types of transactions or establishment of a special procedure for their implementation;

3) restructuring of assets and (or) liabilities of the bank, including changes in their structure;

4) reducing costs, including through the termination or limitation of additional hiring of employees, closure of certain branches and representative offices, subsidiaries, limitations on monetary rewards and other types of material incentives for the executives;

5) suspension and (or) limitation of investments in certain types of assets or establishment of a special procedure for their implementation;

6) formation of provisions (reserves) according to international financial reporting standards;

7) recognition of an individual or a legal entity as a person related with a bank, a bank holding company, an organization carrying out certain types of banking operations by special relations;

8) changing the terms of a transaction made on preferential terms with a person related with the bank, a bank holding company, an organization carrying out certain types of banking operations by special relations, on the terms of similar transactions with third parties on the date of transaction with preferential terms;

9) restriction of transactions with the persons related with a bank, a bank holding company, an organization carrying out certain types of banking operations by special relations ;

10) termination of accrual and (or) payment of dividends on ordinary and (or) preferred shares and (or) perpetual financial instruments;

11) revision of internal policies and procedures, limits on the allowable amount of risks, procedures for assessing the effectiveness of the risk management and internal control system ;

12) removal from the performance of official duties of persons specified in Article 20 of this Law and the regulatory legal act of the authorized body, which establishes the procedure for the formation of a risk management and internal control system, including in case of removal by a bank, a bank holding company, an organization carrying out certain types of banking operations, a bank - non-resident of the Republic of Kazakhstan, of persons specified in Article 20 of this Law, from the performance of official duties to the application by the



authorized body of this supervisory response measure. When applying this measure of supervisory response to an executive employee, the authorized body shall withdraw a consent to the appointment (election) to the position of an executive employee;

13) conducting assessment of property value owned by a major participant of the bank and (or) a bank holding company;

14) elimination of the causes and (or) conditions that contributed to violation of the rights and legitimate interests of depositors and (or) creditors and (or) customers of banks, organizations carrying out certain types of banking operations;

15) ensuring compliance of their activities with the legislation of the Republic of Kazakhstan.

For the purposes of applying to branches of non-resident banks of the Republic of Kazakhstan subparagraph 1) of the first part of this paragraph, the equity capital adequacy ratio shall be understood to mean the adequacy ratio of assets taken as a reserve.

2. The measures provided by paragraph 1 of this Article shall be applied in the form of a written order or a written agreement.

3. A written order is an instruction to the bank, an organization, carrying out certain types of banking operations, a bank holding company, organizations included in the banking conglomerate, a major participant of a bank for adoption of binding measures established by paragraph 1 of this Article, and (or) the need to submit within the established term an action plan on their implementation (hereinafter – the action plan).

The action plan shall include a description of deficiencies, risks or violations, causes that led to their occurrence, a list of planned activities, the terms of their implementation, as well as responsible executives.

4. A written agreement is concluded written agreement between the authorized body and the bank or an organization carrying out certain types of banking operations, and a bank holding company, or organizations included in a banking conglomerate or a major participant of the bank, on execution of measures established by paragraph 1 of this Article, indicating the terms for elimination of the revealed deficiencies, risks or violations and (or) the list of restrictions, which these individuals take to themselves until elimination of the revealed violations and (or) deficiencies.

The written agreement shall be subject to mandatory signature by the bank or an organization carrying out certain types of banking operations, or a bank holding company, or organizations included in a banking conglomerate, or a major participant of the bank.

5. A bank, an organization carrying out certain types of banking operations, a bank holding company, an organization included in a banking conglomerate, or a major participant of the bank shall be obliged to notify the authorized body of execution of the measures, specified in the written order and written agreement within the terms provided by these documents.

6. In the absence of possibility to eliminate the violations within the terms, specified in the written order and (or) action plan, a written agreement for reasons independent from the bank, a bank holding company, an organization included in a banking conglomerate, a major participant of the bank, an organization, carrying out certain types of banking operations, the term for execution of the written order and (or) action plan, a written agreement can be extended until the date established by the authorized body.

Footnote. Article 46 is in the wording of the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); as amended by the Law of the Republic of Kazakhstan dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

#### **Article 47. The sanctions**

Footnote. Article 47 is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

#### **Article 47-1. Coercive supervisory response measures**

Footnote. The title of article 47-1 is in the wording of the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

1. The authorized body shall apply the coercive supervisory response measures to the persons, having characteristics of a large participant of the bank or a bank holding company and major participants of the bank, a bank holding company and organizations included in a banking conglomerate, in cases:

1) provided by paragraph 11 of Article 17-1, paragraph 5 of Article 42 and paragraph 6 of Article 57 of this Law;

2) if application of other supervisory response measures cannot ensure protection of legitimate interests of depositors and creditors, financial stability of the bank and (or) a bank conglomerate, minimization of risks, connected with activity of the bank, a bank holding company;

3) if the actions (inaction) of a bank holding company and (or) a major participant of the bank may lead to further deterioration of financial situation of the bank, a bank holding company.

2. In the cases, provided for in paragraph 1 of this Article, the authorized body shall be entitled:

1) to require an entity, having the characteristics of a major participant, as well as the major participant of the bank to reduce its share of the direct or indirect ownership to the level lesser than ten percent of the voting shares of the bank;

2) to require an entity, having the characteristics of a bank holding company, as well as the bank holding company to reduce the share of direct or indirect ownership to the level lesser than twenty-five percent of the voting shares of the bank and to suspend transactions (direct or indirect) between the entity and the bank, that expose risks to the bank;

3) to require the bank and bank holding company in relation to the organizations, in which the bank or bank holding company is a shareholder (participant), as well as the organizations, incorporated in the banking conglomerate, to suspend transactions (direct or indirect) between them, exposing risks to the bank and (or) the bank holding company or the organizations, incorporated in the banking conglomerate;

4) to require the bank or the entity, having the characteristics of a bank holding company and a bank holding to alienate its share of ownership or control over a subsidiary organization of the organizations in the capital of which they have a significant ownership interest;

5) to require the organizations, incorporated in the banking conglomerate, to suspend transactions (direct or indirect) between them and their affiliates that expose risks to the organizations, incorporated in the banking conglomerate;

6) in order to increase the equity capital of the bank or banking conglomerate in the amount sufficient to ensure financial stability of the bank or the banking conglomerate, to require the bank holding company, the major participant of the bank to take measures for additional capitalization of the bank or the banking conglomerate.

3. In case if the major participant of the bank, bank holding company or the entity, having the characteristics of a major participant of the bank or bank holding company, fail to fulfill the requirements, provided for in paragraph 2 of this Article, and paragraph 6 of Article 57 of this Law, on the basis of the authorized body's decision, the trust management of the bank's shares shall be established, that are owned by a major participant of the bank, bank holding company or the entity, having the characteristics of the major participant of the bank, bank holding company. These shares shall be transferred in trust management to the authorized body for up to three months.

The authorized body shall be entitled to make a decision on transference of the bank's shares, owned by a major participant of the bank, bank holding company or the entity, having the characteristics of the major participant of the bank or bank holding company, to the trust management of the national management holding company.

In the case of transference of the bank's shares, owned by a major participant of the bank, bank holding company or the entity, having the characteristics of a major participant of the bank or bank holding company, to the trust management of the national management holding, the period for which the trust management of the shares is established, shall be defined by the decision of the authorized body on establishment of the trust management.

During the trust management of the bank's shares, performed by the authorized body or the national managing holding, the owner of the shares shall have no right to take any action in respect of the shares, held in trust.

A major participant of the bank, bank holding company or the entity, having the characteristics of a major participant of the bank, bank holding company, shall be entitled to apply to the authorized body for the sale of all the owned shares to the persons, specified in the petition.

The petition shall be granted by the authorized body if the purchasers of the shares, specified in the petition, comply with the requirements of the legislative acts of the Republic of Kazakhstan.

If the grounds are not eliminated for transference of the bank's shares, owned by a major participant of the bank, bank holding company or the entity, having the characteristics of a major participant of the bank or bank holding company in trust management until the expiry of the timeframe, for which the trust management was established, the authorized body or the national management holding company shall alienate the bank's shares, held in trust, through their selling at the organized securities market at the market price, prevailing on the date of the decision making on selling the shares. In the absence of the information on the market value of the shares, the shares' price may be defined by the appraiser in accordance with the legislation of the Republic of Kazakhstan. The money, received from selling the shares shall be transferred to the entities, which shares were transferred in trust.

The actions for selling the bank's shares, owned by a major participant of the bank, bank holding company or the entity, having the characteristics of a major participant of the bank, bank holding company, shall be performed at the expense of the bank.

The order of the trust management of the bank's shares, owned by a major participant of the bank, bank holding company or the entity, having the characteristics of the major participant of the bank or bank holding company, and the actions of the authorized body or the national holding company during the trust management, shall be established by the regulatory legal act of the authorized body.

4. is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

Footnote. Article 47-1 is in the wording by the Law of the Republic of Kazakhstan dated 23.10.2008 No 72 -IV (the order of enforcement See Art. 2); as amended by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

#### Article 47-2. Sanctions

1. The authorized body, the National Bank of the Republic of Kazakhstan, within their competence, has the right to apply to a bank, a bank holding company, organizations that are part of a banking conglomerate, large participants of the bank, as well as an organization that carries out certain types of banking operations, regardless of previously applied to them

supervisory response measures a sanction in the form of suspension or revocation of a license and (or) annex to a license to conduct all or individual banking operations on the grounds established by Article 48 of this Law.

2. The decision on suspension or deprivation of the bank's license for conducting all or certain banking operations shall enter into force from the date of its adoption.

The validity of the bank's license for conducting all or certain banking operations shall be deemed suspended from the date of bringing such a decision to the attention of the bank.

3. Information on the decision to suspend or revoke the license and (or) annex to the license is published on the Internet resource of the authorized body, the National Bank of the Republic of Kazakhstan, in Kazakh and Russian languages.

4. The decision on deprivation of the license for conducting all banking operations may be appealed on behalf of the bank only by its shareholders.

4-1. The decision to revoke the license of a branch of a non-resident bank of the Republic of Kazakhstan for conducting all banking operations may be appealed on behalf of a branch of a non-resident bank of the Republic of Kazakhstan only a non-resident bank of the Republic of Kazakhstan.

A branch of a non-resident bank of the Republic of Kazakhstan, which license to conduct all banking operations has been revoked, shall not have the right to carry out banking or other activities.

5. The requirements of paragraphs 2, 3 and 4 of this Article shall apply to cases of revocation of a license and (or) an annex to the license of an organization carrying out certain types of banking operations.

**Footnote.** Chapter 4 is supplemented by Article 47-2 in accordance with the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); as amended by the laws of the Republic of Kazakhstan dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020); dated 26.06.2020 № 349-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).

**Article 48. Grounds for suspension, termination or deprivation of the license and (or) the Appendix to the license for conducting all or certain banking operations**

**Footnote.** The title of Article 48 is in the wording of the Law of the Republic of Kazakhstan dated 16.05.2014 № 203-V (shall be enforced upon expiry of six months after its first official publication).

1. Suspension or revocation of a license and (or) annex to it for carrying out all or individual banking operations is carried out on any of the following grounds:

1) non-compliance in the course of the activities of the bank and the organization carrying out certain types of banking operations, the requirements of Article 20, paragraphs 2 and 7 of Article 26 of this Law;

2) revocation of the status of a bank holding company, a major participant in a bank - an individual who owns twenty-five or more percent of the bank's outstanding (less preferred and repurchased by the bank) shares of the bank, if the bank does not have another bank holding company or a major participant - an individual who owns twenty-five or more than a percentage of the bank's shares;

3) the bank (with the exception of banks, more than fifty percent of the outstanding shares of which are directly or indirectly owned by the state and (or) the national managing holding), which has a license to accept deposits, open and maintain bank accounts of individuals, a parent bank or a bank holding company, having the minimum required rating of one of the rating agencies, the list of which is established by the regulatory legal act of the authorized body, or a major participant - an individual;

4) carrying out banking operations with systematic (three or more times within twelve consecutive calendar months) violations of the current legislation;

5) failure to comply with the obligation to disclose the general conditions for conducting banking operations, established by Article 32 of this Law;

6) violation of the prohibition, established by Article 40 of this Law, on the provision of preferential conditions to persons connected with the bank by special relations;

7) systematic (three or more times within twelve consecutive calendar months) violation of the legislation of the Republic of Kazakhstan on issues falling within the competence of the authorized body or the National Bank of the Republic of Kazakhstan, or systematic (three or more times within twelve consecutive calendar months) failure to comply with supervisory measures response applied by the authorized body, the National Bank of the Republic of Kazakhstan;

8) inconsistency of the risk management and internal control system with the requirements of the authorized body;

9) carrying out activities prohibited and limited for banks in accordance with the terms of Article 8 of this Law;

10) the implementation by the bank of operations that go beyond the limits of its legal capacity established by this Law, the charter of the bank and a license to conduct banking operations;

11) failure by a bank, an organization engaged in certain types of banking operations, in accordance with the license issued by it and (or) annex to it, within twelve consecutive calendar months from the date of its (his) issue;

12) failure of a legal entity operating exclusively through exchange offices on the basis of a license from the National Bank of the Republic of Kazakhstan for exchange operations with foreign currency in cash, a legal entity whose exclusive activity is the collection of banknotes, coins and valuables on the basis of a license from the National Bank of the Republic of

Kazakhstan for collection of banknotes, coins and valuables, to carry out activities in accordance with the issued license and (or) appendix thereto for twelve consecutive calendar months;

13) non-compliance of a legal entity operating exclusively through exchange offices on the basis of a license from the National Bank of the Republic of Kazakhstan for exchange operations with foreign currency in cash, a legal entity whose exclusive activity is the collection of banknotes, coins and valuables on the basis of a license from the National Bank of the Republic of Kazakhstan for collection of banknotes, coins and valuables, with the qualification requirements imposed on the activity of carrying out exchange operations with foreign currency in cash exclusively through exchange offices and the collection of banknotes , coins and valuables;

13-1) obstruction by a legal entity operating exclusively through exchange offices on the basis of a license from the National Bank of the Republic of Kazakhstan for exchange operations with foreign currency in cash, by a legal entity whose exclusive activity is the collection of banknotes, coins and valuables on the basis of a license from the National Bank of the Republic of Kazakhstan for the collection of banknotes, coins and valuables, in the implementation of control and supervision by the National Bank of the Republic of Kazakhstan;

14) making a decision by the court to terminate the bank's activities;

15) non-fulfillment by a bank holding company, a major participant of the bank, of the requirements of the authorized body to increase the bank's equity capital, as well as the requirements imposed in accordance with paragraph 2 of Article 47-1 of this Law;

16) classification of a bank as an insolvent bank in accordance with this Law.

17) failure by the branch of a non-resident bank of the Republic of Kazakhstan to meet the requirements for the amount of assets accepted as a reserve, established by the regulatory legal act of the authorized body in accordance with part three of paragraph 6 of Article 42 of this Law;

18) suspension or revocation of a non-resident bank of the Republic of Kazakhstan of a license to conduct all or certain essentially similar banking operations by a financial supervisory authority or a court of the state of which the non-resident bank of the Republic of Kazakhstan is a resident;

19) making a decision by the court of the state, of which the non-resident bank of the Republic of Kazakhstan is a resident, on the forced liquidation (termination of activities) of a non-resident bank of the Republic of Kazakhstan;

20) making a decision by the court to terminate the activities of a branch of a non-resident bank of the Republic of Kazakhstan in cases provided for by part two of paragraph 4 of Article 74-5 of this Law.



1-1. The bank (with the exception of the Islamic Bank), which is not a member of the obligatory deposit insurance, forfeits its license to accept deposits, open and maintain bank accounts of individuals.

1-2. Is excluded by the Law of the Republic of Kazakhstan dated 10.06.2014 № 206-V (shall be enforced upon expiry of ten calendar days after its first official publication).

1-3. Is excluded by the Law of the Republic of Kazakhstan dated 10.06.2014 № 206-V (shall be enforced upon expiry of ten calendar days after its first official publication).

1-4. Termination of the license and (or) annex to the license to conduct all or certain banking operations shall be carried out on the grounds provided for by the Law of the Republic of Kazakhstan “On Permissions and Notifications”, when issuing a permission to a bank for voluntary liquidation, permission to a branch of a non-resident bank of the Republic of Kazakhstan for voluntary termination of activities.

2. In determining the appropriateness of applying sanctions and choosing the sanction in the form of suspension or deprivation of the license and (or) the Appendix to the license for conducting all or certain banking operations, the following shall be taken into account:

- 1) the level of risk, nature of violations and (or) deficiencies and their consequences;
- 2) the scale and significance of the violations and (or) deficiencies and their consequences ;
- 3) regularity and duration of violations and (or) deficiencies;
- 4) the impact of violations and (or) deficiencies on the financial situation;
- 5) the reasons which caused occurrence of the revealed violations and (or) deficiencies;
- 6) adoption by the bank, an organization carrying out certain types of banking operations, of independent measures aimed at eliminating deficiencies, risks or violations revealed in the activity;
- 7) the possibility of taking settlement measures against an insolvent bank.

3. Excluded by the Law of the Republic of Kazakhstan dated 08.12.1997 № 200 (to come into effect from 01.01.1998).

Footnote. Article 48 as amended by the Decree of the President of the Republic of Kazakhstan having the force of Law dated 27.01.1996 No 2830, the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 08.12.1997 No 200; dated 16.07.1999 No 436; dated 02.03.2001 No 162 (see Art. 2); dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 08.07.2005 No 69; dated 23.12.2005 No 107 (the order of enforcement see Art. 2 of the Law No 107); dated 31.01.2006 No 125; dated 12.01.2007 No 222 (shall be enforced upon expiry of six months from the date of its first official publication); dated 19.02.2007 No 230 (the order of enforcement see Art. 2); dated 23.10.2008 No 72 -IV (the order of enforcement see Art. 2); dated 12.02.2009 No 133 -IV (the order of enforcement see Art. 2); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); dated 28.08.2009 No 192 -IV (shall be enforced from 08.03.2010 ); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.06.2012

No 19 -V (shall be enforced upon expiry of ten calendar days after its first official publication ); dated 05.07.2012 No 30 -V (shall be enforce upon expiry of ten calendar days after its first official publication.); dated 16.05.2014 № 203-V (shall be enforced upon expiry of six months after its first official publication); dated 10.06.2014 № 206-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 27.04.2015 № 311-V ( shall be enforced from 01.09.2014); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 02.07.2018 № 168-VI (see Article 2 for enforcement); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 06.04.2024 № 71-VIII (comes into effect sixty calendar days after the date of its first official publication).

#### **Article 48-1. Consequences of revocation of the bank's license**

1. The bank, whose license to perform banking transactions was revoked, shall not be entitled to conduct banking and other activities.

From the date of revoking of the bank license for all banking operations:

1) all operations on bank accounts of clients and the bank itself shall be terminated, except for the cases related to:

expenses provided by regulatory legal acts of the authorized body;

crediting money received in favor of the bank;

the return of money received and received in favor of persons whose bank accounts are closed, as well as money received and received on erroneous instructions;

expenses on execution of the clients' instructions on transfers of the money received on their bank accounts after deprivation of the bank of the license, provided absence of debt of the client to the bank or repayment by the client of the available debt to the bank;

conducting operation provided by Articles 61-11 and 61-12 of this Law;

2) the founders (participants), the bodies of the bank shall have no right to dispose the assets of the bank;

3) the executive employees, and, if necessary, other employees of the bank shall be suspended from work in accordance with the labor legislation of the Republic of Kazakhstan;

4) the creditors' claims against the bank may only be brought in a liquidation proceeding, except for the claims, related to the current costs for the bank's maintenance;

5) recovery of money from bank accounts of bank according to the claims of the creditors, state revenue bodies, including those subject to satisfaction in the indisputable ( non-acceptance) order, as well as foreclosure on property of the bank shall not be allowed;

6) officials and major participants of the bank shall be prohibited from alienating their shares of the bank;

7) the implementation of the previous decisions, taken by the courts in respect of the bank shall be suspended;

8) the obligations on repayment of the principal, interest and penalties (fines, penalties) shall be executed by the debtors of the bank in accordance with the bank loan contracts and other types of transactions;

9) the liabilities of the bank which is a clearing participant for transactions with financial instruments concluded in the trading systems of the trade organizers by the open bidding method and (or) with participation of the central counterparty, shall be performed by the clearing organization (central counterparty), including through the full use by the clearing organization (central counterparty) of financial instruments that are the full or partial collateral for obligations on transactions under which clearing activity is carried out, by margin contributions, contributions to the guarantee funds of the clearing organization (central counterparty), in accordance with the procedure established by the regulatory legal act of the authorized body and internal documents of the clearing organization (central counterparty).

1-1. After deprivation of the bank of the license for conducting all banking operations, the authorized body shall appoint the temporary administration (temporary administrator) of the bank.

The powers of the previously existing bodies of the bank shall be suspended.

1-2. The temporary administration (temporary administrator) of the bank within ten working days from the date of deprivation of the bank's license shall have the right to make a decision on carrying out the operation provided by Articles 61-11 and 61-12 of this Law and apply to the authorized body for approval of the issue on conducting this operation.

The authorized body shall, within a period of not more than ten working days, approve or refuse to conduct the operation provided by Articles 61-11 and 61-12 of this Law by the temporary administration (temporary administrator) of the bank.

The authorized body after conducting by the temporary administration (temporary administrator) of the bank of the specified operation shall apply to the court within ten working days with an application for compulsory termination of the activity (liquidation) of the bank in the manner established by the legislation of the Republic of Kazakhstan.

In case of failure by the temporary administration (temporary administrator) of bank to take decision on conducting the operation, provided by Articles 61-11 and 61-12 of this Law, within the period specified in part one of this paragraph, or refusal by the authorized body in the conduct of this operation, the authorized body within ten working days shall apply to the court with an application on the forced termination of activity (liquidation) of the bank in the order established by the legislation of the Republic of Kazakhstan.

1-3. Temporary administration (temporary administrator) of the bank on transactions executed by the bank, deprived the license for conducting all banking operations, or a person authorized by him within three years prior to the date of deprivation of the license, shall have

the right to apply to the court with an application for recognition of transactions invalid if there are grounds for invalidity of transactions provided by the civil legislation of the Republic of Kazakhstan and paragraph 2 of Article 61-13 of this Law.

The consequences of recognition of transactions invalid, provided by paragraph 3 of Article 61-13 of this Law shall apply to the bank deprived of a license for conducting all banking operations.

2. The procedure for work of the bank, appointment of its temporary administration (temporary administrator), powers of temporary administration (temporary administrator), as well as the procedure, forms and terms for submission by the temporary administration (temporary administrator) of the accounts and other information to the authorized body shall be determined by regulatory legal acts of the authorized body.

3. The temporary administration (temporary administrator) of the bank shall carry out its activity until the appointment of liquidation commission of the bank by the authorized body.

Control over the activity of the temporary administration (temporary administrator) of the bank until the appointment of liquidation commission of the bank shall be carried out by the authorized body.

In order to carry out control over the activity of the temporary administration (temporary administrator), the authorized body shall have the right in case of revealing in the activity of the temporary administration (temporary administrator) violations of requirements of the legislation of the Republic of Kazakhstan, rights and legitimate interests of creditors to issue compulsory for execution by temporary administration (temporary administrator) written orders on elimination of the revealed violations and (or) reasons and conditions, promoting to commit them, in the established term and (or) submission of the action plan the established term.

The action plan, submitted within the term, established by a written order shall specify the descriptions of the violations, the reasons that led to their occurrence, a list of planned activities, terms for their carrying out and responsible officials.

An appeal against a written order of the authorized body shall be carried out in the manner prescribed by the laws of the Republic of Kazakhstan. Appeal against a written order of the authorized body does not suspend its execution.

4. A report of temporary administration (temporary administrator) of the bank about the work accomplished shall be submitted to the authorized body for approval.

5. The temporary administration (temporary administrator) of the bank shall lay down its powers and transfer the documents and property of the bank to the chairman of the liquidation commission of the bank within one month from the date of appointment of the liquidation commission of the bank.

6. Acceptance and transfer of documents and property of the bank from the temporary administration to the chairman of the liquidation commission shall be drawn up in the

protocol, which is made in four copies, one of which is sent to the authorized body, the second – to the court that has made a decision on the liquidation of the bank.

7. During the period of its activity, the temporary administration (temporary administrator) of the bank shall not have the right to:

carry out expenditure operations, except for the cases provided by paragraph 1 of this Article;

change the terms of contracts previously concluded by the bank, except for making changes by agreement of the parties that do not deteriorate financial situation of the bank.

8. Financing of expenses related to the forced reorganization and termination of activity of the banks on the basis of forced liquidation shall be prohibited by the authorized body, except for the expenses related to the payment of employees of the authorized body included in the temporary administration (temporary administrator) of the bank and the liquidation commission, as well as the costs for publishing in the official publications of the Ministry of Justice of the Republic of Kazakhstan in the Kazakh and Russian languages of information on the court decision about the forced liquidation of the bank and the costs, related with state registration of termination of activity of the bank on the basis of forced liquidation by the Corporation and with the delivery of documents for storage in archive after the completion of liquidation of the bank in cases of absence of the bank property or if its value is insufficient to cover these costs.

**Footnote.** The Law is supplemented by Article 48-1 in accordance with the Law of the Republic of Kazakhstan dated 11.07.1997 No 154; 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); as amended by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 07.11.2014 № 248-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 02.07.2018 № 168-VI (the order of enforcement see Art. 2); dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019); dated 03.07.2019 № 262-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication); dated 29.06.2020 № 351-VI (shall come into force from 01.07.2021).

#### **Article 49. The grounds and procedure for revocation of permission to open a bank**

**Footnote.** Article 49 is excluded by the Law of the Republic of Kazakhstan dated 25.11.2019 № 272-VI (shall be enforced from 02.01.2020).

#### **Article 50. Bank secrecy**

1. Bank secrecy includes information about the clients and correspondents of banks, their transactions and relationships with banks related to the receipt of banking services, including without limitation: information about the presence, owners and numbers of bank accounts and

correspondents of banks, balances and movement of money in these accounts and the accounts of the bank itself, limitations on the transferred accounts (decisions and (or) orders of state bodies on suspension of expenditure operations, arrests, pledges), transactions of the clients and correspondents and the bank itself (except for general conditions of conducting banking operations), as well as availability, owners, nature and value of the property of the clients, stored in safe boxes, cabinets and premises of the bank, information on the receipt of loans by the clients (except for the cases, determined in this Article), transactions on payments and (or) money transfers, including those performed without opening a bank account.

Information on loans, issued by the bank in the process of liquidation does not belong to bank secrecy.

2. Banks shall guarantee the secrecy on transactions and accounts of their depositors, clients and correspondents of banks, as well as the secrecy of property stored in safe boxes, cabinets and premises of banks, and other information constituting a banking secrecy in accordance with this Article.

3. Officials, employees of banks, bank holding companies-residents of the Republic of Kazakhstan, legal entities, specified in subparagraphs 8), 8-1) and 8-2) of part two of paragraph 4 of this Article, and other persons who by virtue of their official duties have received access to information constituting a bank secrecy, shall bear criminally liability for their disclosure, except for the cases provided by paragraphs 4-8, 8-1 of this Article.

4. Bank secrecy may be disclosed only to the client, any third party with the consent of the owner of the account (property), given in writing or by means of identification of the account owner, the credit bureau for a bank loan, leasing, factoring and forfeiting operations, accounting of promissory notes, and issued bank guarantees, sureties, letters of credit in accordance with the laws of the Republic of Kazakhstan, as well as to the persons specified in paragraphs 5, 6, 6-1, 7, 7-1, 7-2, 8 and 8-1 of this Article, on the grounds and to the extent provided by this Article.

The following shall not be a disclosure of the banking secrecy:

1) mandatory notification of state revenue bodies by banks exclusively for the purposes of tax administration on opening of bank accounts to an individual registered as an individual entrepreneur, private notary, private bailiff, lawyer, professional mediator, a foreigner and a stateless person, a legal entity, including a non-resident, its structural subdivisions;

1-1) provision by banks to the authorized body for financial monitoring of information, of data and documents in accordance with the Law of the Republic of Kazakhstan "On Counteraction of Legitimization (Laundering) of Incomes Received by Illegal Means, and Financing of Terrorism";

1-2) providing the operator of the "electronic government" payment gateway, state bodies and courts through the payment gateway of "electronic government" with data and information about payments and money transfers related to the payment of payments to the

budget, transfer of mandatory pension contributions, mandatory professional pension contributions and social contributions, payment for public services, carried out by banks directly when making these payments and money transfers, as well as providing information on returned payments and money transfers, carried out by the central authorized body for budget execution;

1-3) submission by banks to the state revenue authority solely for the purpose of tax administration of information on assignment agreements concluded with collection agencies, in the form, established by the authorized state body, carrying out management in the field of ensuring the tax revenues and other obligatory payments to the budget, in agreement with the National Bank of the Republic of Kazakhstan;

1-4) submission of information and (or) documents on export or import transactions subject to control in accordance with the currency legislation of the Republic of Kazakhstan to the state revenue body, by banks, the National Bank of the Republic of Kazakhstan in the manner prescribed by the legislation of the Republic of Kazakhstan;

1-5) submission by banks to the state revenue body of information and documents required for conducting tax audit and horizontal monitoring;

1-6) submission to the state revenue bodies of information on payments and (or) money transfers on currency transactions in cases, established by the laws of the Republic of Kazakhstan;

1-7) exchange of information, including information constituting bank secrecy, between the authorized body and the National Bank of the Republic of Kazakhstan;

1-8) at the request of the state revenue authorities for taxpayers - an individual registered as an individual entrepreneur or a person engaged in private practice, to a legal entity, to submit information on the total amounts of payments for the calendar year received on the current account through the use of equipment (device) designed to make payments using payment cards and mobile payments;

**Subparagraphs 1-9 are suspended until 01.01.2025 by the Law of the Republic of Kazakhstan dated 31.12.2021 № 100 and during the suspension period from 01.01.2022 to 01.01.2024 this paragraph is valid in the following edition.**

1-9) when identifying transactions that have signs of receiving income from entrepreneurial activities according to certain criteria established by the authorized state body that manages the provision of taxes and other obligatory payments to the budget, in agreement with the National Bank of the Republic of Kazakhstan, submits to the authorized state body exercising management in the field of ensuring the receipt of taxes and other obligatory payments to the budget, information on the following individuals:

persons holding a responsible public position and their spouses;

persons authorized to perform state functions and their spouses;

persons equated to persons authorized to perform state functions and their spouses;



persons who are obligated to submit a declaration in accordance with the Constitutional Law of the Republic of Kazakhstan "On Elections in the Republic of Kazakhstan" and the laws of the Republic of Kazakhstan "On Combating Corruption", "On Banks and Banking Activities in the Republic of Kazakhstan", "On Insurance Activities", "On the securities market";

The criteria for classifying transactions carried out on bank accounts of individuals as transactions that have signs of receiving income from entrepreneurial activities, the procedure, form and terms for submitting information are established by the authorized state body in charge of ensuring tax revenues and other obligatory payments to the budget, in coordination with the National Bank of the Republic of Kazakhstan;

1-10) submission by banks to the state revenue authority of information on the existence of bank accounts and their numbers, balances and movement of funds in the accounts of a legal entity whose activities include the organization and conduct of gambling and (or) betting, in relation to which a desk audit is carried out;

2) providing the issuer of securities and the representative of the holders of securities with information on a bank loan agreement (granted loan), the rights (claims) under which are transferred as collateral for securities, including as part of a securitization transaction;

2-2) disclosure by the authorized body of information on transactions with securities and other financial instruments concluded in the organized and unorganized securities market, corresponding to one of the conditions of manipulation in the securities market;

3) submission of information by banks about the remnants of money in bank accounts of individuals and on the compensation for the audit organization on the basis of the written consent of the account owner;

3-1) provision by the bank-participant of the system of compulsory guaranteeing of deposits classified as banks with an unstable financial situation, which pose a threat to the interests of its depositors and creditors and (or) the threat to stability of the financial system, and (or) classified as insolvent banks, by the provisional administration for the bank management (provisional manager of the bank) and by the authorized body, of information, data and documents on the activities of such a bank, including information on its assets and obligations, an organization performing the mandatory guaranteeing of deposits, to perform the functions provided for by the legislation of the Republic of Kazakhstan on the mandatory guaranteeing of deposits;

3-2) submission by the bank-participant in the system of compulsory guaranteeing of deposits, the temporary administration (temporary administrator) or the liquidation commission of the bank of information on deposits of individuals, as well as in the case of the coincidence of the creditor and the debtor in one person – the information on their obligations to the organization performing the mandatory guaranteeing of deposits, and banks-agents to carry out the functions provided for by the legislation of the Republic of Kazakhstan on the obligatory compulsory guaranteeing of deposits;

4) submission to other banks of the data necessary for carrying out operations, provided by Articles 61-2, 61-4, 61-11 and 61-12 of this Law;

4-1) submission in electronic form by banks at the request of the subject of the provision of services in electronic form and the subject of receipt of services in electronic form, information about the bank account belonging to the person specified in the request, and the existence of a contract of pledge of movable property - in the provision of public services in electronic form in accordance with the Law of the Republic of Kazakhstan "On Informatization";

4-2) submission in electronic form by banks at the request of the subject of the provision of services in electronic form and the subject of receipt of services in electronic form, information about the amount of money, date of payment, the sender of the money and the beneficiary when individuals and legal entities make payments for the services provided in electronic form in accordance with the Law of the Republic of Kazakhstan "On Informatization";

4-3) submission by the bank to the state revenue bodies of information about the presence (opening), owners and numbers of bank accounts of depositors, clients and correspondents of the bank, being the residents (taxpayers) of a foreign state and (or) major participants of which are residents (taxpayers) of a foreign state, as well as on balances and movement of money on these accounts and the accounts of the bank itself, bank operations and other information necessary for carrying out by the bodies of state revenues of obligations, provided by international treaty of the Republic of Kazakhstan;

4-4) excluded by the Law of the Republic of Kazakhstan dated 31.12.2021 № 100 (shall be enforced from 01.01.2022).

4-5) submission by banks to the state revenue body of information on the balances and movement of money on bank accounts of persons registered with the state revenue bodies as taxpayers, carrying out activity on electronic trade in goods;

4-6) provision by the bank to the authorized body of information on incidents of information security of the bank, including information on violations, failures in information systems;

4-7) provision by the authorized body to the National coordination center for information security of information on incidents of information security of the bank, including information on violations, failures in information systems, if there is a threat to the stability of the financial and (or) payment system of the Republic of Kazakhstan;

4-8) provision by the authorized body to the audit organization of information, specified in part five of paragraph 9 of Article 57 of this Law;

4-9) submission by the member bank of the syndicate of creditors to the agent bank of the information necessary for the organization and implementation of syndicated financing in accordance with the legislation of the Republic of Kazakhstan on project financing and securitization;

5) submission of information by second-tier banks to an organization, specializing in improving the quality of credit portfolios of second-tier banks, as well as to a legal entity carrying out an independent assessment of assets, technical and (or) financial and (or) legal audit, as well as other services necessary to carry out its statutory activity by the organization, specializing in improving the quality of credit portfolios of second-tier banks;

5-1) submission of certificates on availability and numbers of bank accounts, balances and money movement on these accounts, bank operations (except for general conditions of conducting banking operations), as well as information about the availability, nature and value of the property, stored in safe boxes, cabinets and premises of the bank, represented by an organization specializing in improving the quality of loan portfolios of second-tier banks, in respect of a person that is a borrower, guarantor, surety, lessee or mortgagor of the organization, upon written request of the organization, signed by the chairman of the board or his/her deputy, subject to submission of copies of the documents, confirming acquisition by the organization of the rights of claim on this credit with the mark of the organization "True Copy".

The inscription "True Copy" is specified without quotation marks, shall be signed by the authorized person of the organization with appropriate authority to certify copies of documents, indicating his/her position, name and initials, the date of certification and affixed with seal of the organization, with the exception of subjects of private entrepreneurship;

5-2) submission by banks of the second level of the organization of stability, one hundred percent of the voting shares of which belong to the National Bank of the Republic of Kazakhstan, information necessary for the implementation of the Refinancing Programs for housing mortgage loans (mortgage loans) and (or) increasing the financial stability of the banking sector of the Republic of Kazakhstan, approved by the National Bank Bank of the Republic of Kazakhstan;

6) submission of information to the bank's creditors by the bank, which is under restructuring, the liabilities to which are to be restructured, to other banks within the framework of the restructuring on the restructured assets and liabilities;

7) submission by the banks and organizations, engaged in certain types of banking transactions, of the negative information to the credit bureaus and submission of negative information by the credit bureaus about the subject of a credit record in part of the arrears of more than one hundred and eighty days;

8) provision by persons, specified in part one of paragraph 4 of Article 36-1 of this Law, of information about bank loan agreement (issued loan) to persons, indicated in part one of paragraph 4 of Article 36-1 of this Law, in case of assignment (transfer) of rights (claims) under a bank loan agreement;

8-1) provision by an organization specializing in improving the quality of credit portfolios of second-tier banks to a legal entity, carrying out trust management of dubious and hopeless

assets, of information on a credit (loan), the rights of claim on which have been acquired by this organization;

8-2) provision by persons specified in part one of paragraph 4 of Article 36-1 of this Law of information on a loan (credit) to a collection agency under an agreement, the subject of which is the provision of services for pre-trial collection and settlement of debt, as well as the collection of information related to debt, concluded with this collection agency, or a service company under an agreement on trust management of rights (claims) in accordance with Article 36-1 of this Law;

9) submission of information by a bank to the bank holding company-resident of the Republic of Kazakhstan for calculation of prudential standards by the banking conglomerate, as well as the formation of the system of risk management and internal controls of the banking conglomerate;

10) submission of documents to other banks, confirming the issuance of a bank loan;

11) *is excluded by the Law of the Republic of Kazakhstan dated 07.03.2014 № 177-V (shall be enforced upon expiry of ten calendar days from the date of its first official publication);*

**12) was valid from 01.01.2014 to 01.01.2020 in accordance with the Law of the Republic of Kazakhstan dated 02.07.2014 № 225-V (the order of enforcement see Art. 2);**

13) submission by an official of a state body or a person performing managerial functions in an organization of documents and information containing bank secrets as supporting documents and materials when sending a report on a criminal offense to the criminal prosecution body;

14) submission in electronic form by the bank, at the request of a notary, formed in electronic form with the consent of the bank client, of information on the availability and amount of money on the escrow account opened for the bank client to complete a transaction with real estate in a non-cash form according to the certification of an agreement on real estate alienation performed by the notary;

15) submission by the National Bank of the Republic of Kazakhstan to the state revenue authorities and the authorized body of information and information on the withdrawal of cash by business entities from bank accounts in excess of the established limits in accordance with the rules for the withdrawal of cash by business entities from bank accounts;

16) submission by banks of information, data, and documents constituting bank secrecy on the persons included in the register, at the written request of the authorized body for the return of assets, signed by the first head or the person acting at his/her duties, with an attachment of an extract from the register approved in accordance with Law of the Republic of Kazakhstan “On the return of illegally acquired assets to the state”;

17) exchange of data on payment transactions with signs of fraud between the center for the exchange of data on payment transactions with signs of fraud, financial organizations,

payment organizations, mobile operators, criminal prosecution agencies, the National Bank of the Republic of Kazakhstan, and an authorized body.

5. Certificates of the availability and numbers of bank accounts are issued to the bank, in relation to which the owner of the account (accounts) is a borrower, guarantor, surety, lessee or pledger, on the basis of the bank's request, subject to the submission of documents confirming the receipt of a loan, the list and procedure for submitting which are established in the regulatory legal acts of the National Bank of the Republic of Kazakhstan.

The bank may send requests and documents confirming the receipt of the credit, on paper or in electronic form. If the owner of a bank account is an individual, certificates of the existence and numbers of bank accounts of this individual are issued to the bank for his existing accounts, including those related to entrepreneurial activity.

6. Certificates about availability and numbers of bank accounts of legal entities and (or) its structural subdivision, as well as current accounts of an individual carrying out entrepreneurial activity without forming a legal entity, private notary, private bailiff, lawyer, professional mediator about the balances and movement of money on these accounts shall be issued to:

a) the state bodies and officials carrying out the functions of criminal prosecution: on criminal cases in their proceedings on the basis of a written request certified by the seal and authorized by the Prosecutor;

b) the courts: on cases in their proceedings on the basis of determination, resolution, decision and sentence of the court;

c) the public prosecutor: on the basis of the decision on examination, within his competence, for the case that is under his consideration;

c-1) the national security bodies and state security Service of the Republic of Kazakhstan with the sanction of the Prosecutor for the purpose of prevention, opening and suppression of intelligence and (or) subversive actions;

d) is excluded by the Law of the Republic of Kazakhstan dated 28.11.2014 № 257 (the order of enforcement see subparagraph 12) of Article. 10);

e) the state revenue bodies for tax administration, customs control in respect of:  
the audited legal entity and (or) its structural subdivision on the issues related to taxation;  
of the verified individual;

the audited individual registered as an individual entrepreneur, private notary, lawyer, private bailiff, professional mediator, on the issues related to taxation;

an individual, removed from the registration as an individual entrepreneur and terminated activity in a simplified manner for a period of time not exceeding the limitation period established by the tax legislation of the Republic of Kazakhstan;

legal entity and (or) its structural subdivision, individual entrepreneur, private notary, private bailiff, lawyer, professional mediator, the actual absence of whom at the place of location is confirmed in the procedure established by the tax legislation of the Republic of

Kazakhstan and who have not submitted the tax reports before the expiration of six months after the deadline for its submission, established by the tax legislation of the Republic of Kazakhstan, with the exception of extension period of such term in cases, provided by the tax legislation of the Republic of Kazakhstan;

a legal entity, an individual entrepreneur, a private notary, a private bailiff, a lawyer, a professional mediator, who are subject to the execution peculiarities of tax obligation upon termination of activity in accordance with the tax legislation of the Republic of Kazakhstan;

inactive legal entity, individual entrepreneur, private notary, lawyer;

the audited legal entity and (or) its structural subdivision, individual entrepreneur, who are residents of the Republic of Kazakhstan, as part of the customs inspection;

legal entities, structural subdivisions of legal entities, individuals registered as an individual entrepreneur, having within four months from the date of occurrence, the outstanding tax debt in the amount of more than 10,000 times the monthly calculation index, established by the Law on republican budget and effective on the 1st of January of the relevant financial year;

e -1) to state bailiffs: on the cases of proceedings in their production on the basis of the order of the state bailiff, certified by the seal of the justice body and sanctioned by the Prosecutor, only in part of information on availability and numbers of bank accounts of legal entities and (or) its structural subdivision, on availability of money in these accounts within the recovered amount;

e -2) to private bailiffs: on the cases of proceedings in their production on the basis of the order of the private bailiff, certified by the personal seal and sanctioned by the Prosecutor, or its copy certified by the personal seal, only in part of information on availability and numbers of bank accounts of legal entities and (or) its structural subdivision, on availability of money in these accounts within the recovered amount;

e-3) the authorized body in the field of rehabilitation and bankruptcy in relation of a person, on whom there is the court decision on recognition as bankrupt for the period within five years before initiation of a bankruptcy case and (or) rehabilitation from the sanctions of a prosecutor;

f) to the territorial body of justice on the basis of a resolution generated in the state automated information system of enforcement proceedings, within the framework of simplified proceedings provided for by the Law of the Republic of Kazakhstan "On Enforcement Proceedings and the Status of Bailiffs" and certified by an electronic digital signature of the head of the territorial body of justice or his deputy.

g) to state revenue authorities for the purpose of implementing a desk audit in relation to a legal entity whose activities include organizing and conducting gambling and (or) betting.

6-1. Certificates on availability and numbers of bank accounts of an individual, about the rests and movement of money on these accounts shall be issued to the bodies of state revenues in relation to:

a person registered in accordance with the procedure established by the Law as a candidate for the President of the Republic of Kazakhstan, deputies of the Parliament of the Republic of Kazakhstan and maslikhat, as well as members of local self-government bodies, and his/her spouse;

a person who is a candidate for a state position or for a position related to the performance of state or

a person holding a public position during the period of performing his/her powers and his/her spouse during the same period;

a person released on parole from serving a sentence.

The information provided for by this paragraph, subparagraph e) of paragraph 6, subparagraph 1) of the first part of paragraph 6-2 of this Article shall be submitted on the basis of a request from the state revenue authority solely for the purposes of tax administration in the form established by the authorized state body in charge of in the field of ensuring the receipt of taxes and other obligatory payments to the budget, in agreement with the National Bank of the Republic of Kazakhstan.

The information provided for in subparagraph 2) of part one of paragraph 6-2, paragraphs 6-3 and 6-4 of this Article shall be submitted on the basis of a request from the state revenue authority solely for the purpose of tax administration in the form established by the authorized state body exercising leadership in the field ensuring the receipt of taxes and other obligatory payments to the budget, in agreement with the authorized body.

**Paragraph 6-2 shall be valid from 01.01.2021 to 01.01.2026 in accordance with the Law of the Republic of Kazakhstan dated 18.11.2015 № 412-V.**

6-2. Banks and organizations carrying out certain types of banking operations shall submit the following information to the authorized state body in charge of ensuring the receipt of taxes and other obligatory payments to the budget, based on its request:

1) on the availability, numbers of bank accounts and on the balances of money on these accounts of individuals who are required to submit a declaration of assets and liabilities;

2) on granted loans to individuals who are required to submit a declaration of assets and liabilities indicating the amounts of repayment, including remuneration.

The information specified in this paragraph shall be requested by the authorized state body in charge of ensuring the receipt of taxes and other obligatory payments to the budget, as of January 1 of the year during which individuals, determined by the tax legislation of the Republic of Kazakhstan, had obligation to submit a declaration of assets and liabilities.

The request of the authorized state body in charge of ensuring the receipt of taxes and other obligatory payments to the budget, provided for in part one of this paragraph, must be accompanied by a list of individuals who have an obligation to submit a declaration of assets and liabilities.

6-3. Information about the loans granted to the inspected individual, including the indication of repayment amounts, including remuneration, shall be provided in accordance



with the tax legislation of the Republic of Kazakhstan by banks and organizations engaged in certain types of banking operations, at the request of state revenue authorities.

State revenue authorities shall use the information specified in this paragraph for the purposes of tax administration on issues related to the taxation of the audited entity.

6-4. Bank secrecy in terms of providing information on the repayment by an individual of interest on mortgage housing loans received for the purchase of housing in the Republic of Kazakhstan may be disclosed on the basis of a request from state revenue authorities. The requirement of the state revenue authorities shall be drawn up if the individual (account holder) consents to the submission by banks or organizations engaged in certain types of banking operations, information on the repayment of interest on mortgage housing loans specified in the declaration of income and property.

6-5. The information on availability (opening), numbers of bank accounts and balances of money on these accounts, as well as availability, type and cost of other property, including placed on metal accounts or under management, shall be submitted by the banks and organizations carrying out certain types of banking operations, to the authorized state body, carrying out management in the field of ensuring receipts of taxes and other obligatory payments to the budget, in accordance with the tax legislation of the Republic of Kazakhstan in relation to:

1) individuals non-residents and legal entities non-residents, as well as legal entities whose beneficial owners are non-residents;

2) individuals and legal entities specified in the request of the authorized body of a foreign state sent in accordance with the international treaty of the Republic of Kazakhstan.

The procedure, terms and form for submitting the information specified in this paragraph shall be established by the authorized state body in charge of ensuring tax receipts and other obligatory payments to the budget, in agreement with the authorized body and the National Bank of the Republic of Kazakhstan.

7. The information about the presence and numbers of bank accounts of an individual, the balance and flow of money in these accounts, as well as available information about the nature and value of his property, kept in safe boxes, strong rooms and bank's premises shall be issued to:

a) the representatives of an individual entity: on the basis of a notarized power of attorney ;

b) bodies of inquiry and preliminary investigation: on criminal cases under their production in cases when money and other property of an individual held on the accounts or kept in the bank, can be seized, levied or applied confiscation of property on the basis of a written request, signed by the first head or an investigator, certified by the seal of the body of inquiry or preliminary investigation or request in an electronic form, certified by the electronic digital signature of the first head or an investigator, imposed Prosecutor's sanction, including in electronic form;

c) the courts: for the cases that are under their proceedings on the basis of a decision, resolution, court verdict in the cases when the money and other property of an individual which is in the accounts or kept in the bank may be seized, charged or confiscated

d) the Prosecutor: on the basis of the resolution on production of the audit submitted on paper or in the form of the electronic document, within its competence on the material which is under his/her consideration;

d-1) national security bodies and state security Service of the Republic of Kazakhstan with the sanction of the Prosecutor for the purpose of prevention, opening and suppression of intelligence and (or) subversive actions;

g) state bailiffs: on the cases of enforcement proceeding under their production, on the basis of the order of the state bailiff, certified by the seal of the justice body and sanctioned by the Prosecutor, only in part of information on availability and numbers of bank accounts of individual-debtor about the availability of money on these accounts within the amount levied, and in case of insufficiency of money – as well as about the movement of money on these accounts since the commencement of enforcement proceedings and availability of safe deposit boxes;

h) private bailiffs: on the cases of enforcement proceeding under their production, on the basis of the order of the state bailiff, certified by the seal of the justice body and sanctioned by the Prosecutor, only in part of information on availability and numbers of bank accounts of individual-debtor about the availability of money on these accounts within the amount levied, and in case of insufficiency of money – as well as about the movement of money on these accounts since the commencement of enforcement proceedings and availability of safe deposit boxes;

h-1) to the territorial body of justice on the basis of a resolution generated in the state automated information system of enforcement proceedings, within the framework of simplified proceedings provided for by the Law of the Republic of Kazakhstan "On Enforcement Proceedings and the Status of Bailiffs" and certified by an electronic digital signature of the head of the territorial body of justice or his deputy, only in terms of information on the availability of bank accounts of an individual - the debtor and their numbers, the availability of money in these accounts within the amount to be collected, and in case of insufficient money - also on the movement of money in these accounts from the moment of initiation of simplified proceedings and the availability of safe deposit boxes;

i) to the financial manager based on a request for information on the presence and numbers of bank accounts of an individual against whom a case has been initiated regarding the application of a procedure for restoring solvency or a judicial bankruptcy procedure, the balances of money in these accounts, as well as the movement of money in such accounts for a period of within three years before the initiation of a case on the application of a procedure

for restoring solvency or a judicial bankruptcy procedure with the sanction of the prosecutor. To confirm authority, the request shall be accompanied by a court ruling to initiate a case on the application of the procedure;

j) to the authorized body in the field of public administration for the restoration of solvency and bankruptcy of citizens of the Republic of Kazakhstan based on a request for submission in relation to a citizen who filed an application for the application of the procedures provided for by the Law of the Republic of Kazakhstan “On the restoration of solvency and bankruptcy of citizens of the Republic of Kazakhstan”, information on the availability and bank account numbers, cash balances in these accounts, as well as the movement of money in such accounts for a period of three years before submitting such a request.

7-1. Information on the availability and numbers of bank accounts, balances and movement of money on the client's bank accounts, provided for in paragraphs 6 and 7 of this article, shall be submitted on paper or in electronic form within three business days from the date of receipt of the request from the authorized body, the National Bank of the Republic of Kazakhstan.

The certificate may be submitted in the form of an electronic document upon receipt of the decision of the bailiff authorized by the Prosecutor in electronic form by means of the state automated information system of enforcement proceedings.

Information on the availability and numbers of bank accounts, balances and movement of money on the client's bank accounts, submitted on paper, are sent in the form of an extract on the movement of money on the client's bank accounts and contain information determined by the regulatory legal act of the National Bank of the Republic of Kazakhstan.

Certificates on availability and numbers of bank accounts, balances and movement of money on bank accounts of the client shall be issued to the persons specified in subparagraphs a), b), c), d), d-1) and d-2) of paragraph 6, as well as subparagraphs b), c), d), g) and h) of paragraph 7 of this Article, on the basis of a request on paper or in electronic form.

7-2. Banking secrecy may be disclosed to the banking ombudsman on the applications of borrowers-individuals under consideration for the settlement of disputes arising from bank loan contracts.

8. Certificates on the presence and numbers of bank accounts of an individual and on the balance of money on them, as well as available information on the availability, nature and value of his property stored in safe boxes, cabinets and bank premises, in case of death of the owner, are issued:

1) persons indicated by the owner of the account (property) in the testamentary disposition;

2) courts and notaries on inheritance cases being handled by them on the basis of a ruling, a court order or a notary's request;

3) foreign consular offices: on inheritance cases in their proceedings;

4) heirs.

8-1. Certificates about availability and numbers of bank accounts of an individual, including those carrying out entrepreneurial activity without forming a legal entity, private notary, private bailiff, lawyer, professional mediator about the balance and movement of money on these accounts, opened to the subjects of legalization to legalization of money in accordance with the Law of the Republic of Kazakhstan "On Amnesty of Citizens of the Republic of Kazakhstan, Repatriates and Persons Having a Residence Permit in the Republic of Kazakhstan in Connection with Legalization of Property", shall be submitted to the bodies of inquiry and preliminary investigation, state revenue bodies with the sanction of the General Prosecutor or his/her deputies.

**9. Is excluded by the Law of the Republic of Kazakhstan dated 29.06.1998 No 236.**

10. The authorized body provides information containing banking secrecy to the organizations specified in paragraph 4 of Article 15 of the Law of the Republic of Kazakhstan "On State Regulation, Control and Supervision of the Financial Market and Financial Organizations", on the conditions provided for by this article.

The National Bank of the Republic of Kazakhstan provides information containing banking secrets to the organizations specified in subparagraph 38-2) of article 8 of the Law of the Republic of Kazakhstan "On the National Bank of the Republic of Kazakhstan", on the conditions provided for by this article.

The authorized body, the National Bank of the Republic of Kazakhstan, shall provide information received in accordance with international treaties of the Republic of Kazakhstan, treaties providing for the exchange of confidential information to other state bodies of the Republic of Kazakhstan only with the consent of the party that provided such information to it.

11. Requests, resolutions of the state bodies or officials listed in points 6 and 7 of this Article, except for the requests of state revenue bodies, on paper shall be subject to certification by the seal of the state body or the official.

When submitting the copies of requests, resolutions of state bodies or officials in copies of the specified documents the mark "True copy" shall be put down. The mark "True copy" is specified without quotes, certified by the signature of the authorized person empowered to certify the copies of documents, indicating his/her position, surname and initials, the date of certification and the seal of a state body or an official.

12. Seizure and (or) reclamation of documents that contain information constituting a bank secrecy, or their copies shall be made on the basis of resolutions on seizure, sanctioned by the court in accordance with the norms of the Criminal procedure code of the Republic of Kazakhstan, or on the basis of a court ruling in the manner determined by the Civil procedure code of the Republic of Kazakhstan.

13. The requirements of this Article shall also be applied to the organizations carrying out certain types of banking operations.

Footnote. Article 50 as amended by the Laws of the Republic of Kazakhstan dated 27.09.1996 No 37; dated 11.07.1997 No 154; dated 29.06.1998 No 236; dated 29.03.2000 No 42; dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 06.07.2004 No 572; dated 13.12.2004 No 11 (shall be enforced from 01.01.2005 ); dated 08.07.2005 No 69; dated 23.12.2005 No 107 (the order of enforcement see Art. 2 of the Law No 107); dated 22.06.2006 No 147; dated 19.02.2007 No 230 (the order of enforcement See Art. 2); dated 23.10.2008 No 72 -IV (the order of enforcement See Art. 2); dated 10.12.2008 No 101 -IV ( shall be enforced from 01.01.2009); dated 13.02.2009 No 135 -IV (the order of enforcement see Art. 3); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009); dated 28.08.2009 No 192 -IV (shall be enforced from 08.03.2010); dated 30.12.2009 No 234 -IV; dated 02.04.2010 No 262 -IV (shall be enforced from 21.10.2010); dated 10.02.2011 № 406 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.07.2011 No 467 -IV (shall be enforced from 01.07.2011); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.06.2012 No 19 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 26.12.2012 No 61 -V (shall be enforced from 01.01.2013); dated 07.03.2014 No 177 -V (shall be enforced upon expiry of ten calendar days after its first official publication); of 10.06.2014 № 206-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2014 № 225-IV ( the order of enforcement see article 2); dated 29.09.2014 № 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 07.11.2014 № 248-V ( shall be enforced upon expiry of ten calendar days after its first official publication); dated 28.11.2014 № 257 (the order of enforcement see PP. 12). V. 10); as of 29.12.2014 № 269-V ( shall be enforced from 01.01.2015); from 27.04.2015 № 311-V (the order of introduction in action see Art. 2); from 02.08.2015 № 343-V (comes into effect after ten calendar days after the date of its first official publication); from 29.10.2015 № 376-V (effective from 01.01.2016); from 31.10.2015 № 378-V (effective after ten calendar days after the day of its first official publication); from 13.11.2015 № 400-V (effective after ten calendar days after the day of its first official publication); from 24.11.2015 № 419-V (effective from 01.01.2016 ); from 24.11.2015 № 422-V (effective from 01.01.2016); from 26.07.2016 № 12-VI ( effective thirty calendar days after the date of its first official publication); from 30.11.2016 № 26-VI (effective from 01.01.2017); from 28.12.2016 № 36-VI (effective two months after the date of its first official publication); from 06.05.2017 № 63-VI (effective twenty-one calendar days after the date of its first official publication); from 25.12.2017 № 122-VI ( effective from 01.01.2018); from 26.12.2017 № 124-VI (effective from 01.01.2018); from 28.12.2017 № 128-VI (effective upon expiry of ten calendar days after the date of its first

official publication); from 24.05.2018 № 156-VI (effective upon expiry of ten calendar days after the date of its first official publication); from 02.07.2018 № 168-VI (procedure for 21.01.2019 № 217-VI (effective three months after its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 18.11.2015 № 412-V (shall come into force from 01.01.2021); dated 25.06.2020 № 347-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 03.07.2020 № 359-VI (shall come into force from 01.01.2021); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 31.12.2021 № 100 (see Article 2 for the entry into force); dated 04.07.2022 № 133-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 14.07.2022 № 141-VII (shall be enforced upon expiry of ten calendar days after its first official publication); dated 30.12.2022 № 179-VII (shall be enforced upon expiry of sixty calendar days after the day of its first official publication); dated 12.07.2023 № 23-VIII (for the procedure of enforcement see Art. 2); dated 06.04.2024 № 71-VIII (comes into effect sixty calendar days after the date of its first official publication); dated 21.05.2024 № 86-VIII (enters into force sixty calendar days after the date of its first official publication); dated 19.06.2024 № 97-VIII (enters into force sixty calendar days after the date of its first official publication); dated 08.07.2024 № 116-VIII (enters into force sixty calendar days after the date of its first official publication); dated 22.11.2024 № 138-VIII (shall be enforced ten calendar days after the day of its first official publication).

#### **Article 51. Seizure and foreclosure on the money and property, kept in the bank**

1. The money and other property of an individual or legal entity located in bank accounts may be seized by courts on the basis of judicial acts and by bailiffs on the basis of decisions of bailiffs authorized by the prosecutor. A temporary restriction on the disposal of property, restrictions on transactions and other operations with property may be imposed on the money and other property of an individual or legal entity located in bank accounts on the grounds and in the manner prescribed by the criminal procedure legislation of the Republic of Kazakhstan, as well as on the basis of decisions of territorial justice bodies received through the state automated information system of enforcement proceedings. Money and other property of an individual or legal entity held on bank accounts may be subject to temporary restrictions on the disposal of property, restrictions on transactions and other operations with property on the grounds and in the manner prescribed by the criminal procedure legislation of the Republic of Kazakhstan.

Establishment of temporary restrictions on the disposal of property, restrictions on transactions and other operations with property, seizure shall not be allowed:

1) for money held in bank accounts and (or) electronic money held in electronic money wallets intended for crediting benefits and social payments paid from the state budget and (or) the State Social Insurance Fund;

2) for money held in bank accounts intended for crediting housing payments, lump-sum pension payments from the unified accumulative pension fund to improve housing conditions and (or) pay for treatment, target assets, payments of targeted savings from the unified accumulative pension fund to improve housing conditions and (or) pay for education;

2-1) for money held in bank accounts in housing construction savings banks in the form of housing construction savings, accumulated through the use of housing payments, in the form of payments of targeted savings from the unified accumulative pension fund to improve housing conditions and (or) pay for education, on money held in bank accounts in second-tier banks in the form of savings for the overhaul of the common property of the condominium object, except for penalties based on court decisions in cases of failure to fulfill obligations under contracts concluded to carry out an overhaul of the common property of the condominium object;

2-2) for the money on the bank account in the housing construction bank, which has the status of the national institute for development, intended for crediting payments and subsidies in order to pay for the rented housing in the private housing fund;

3) on the money deposited on the terms of the notary deposit;

4) on the money held on bank accounts under the contract on educational accumulative contribution concluded in accordance with the Law of the Republic of Kazakhstan "On State educational accumulative system";

5) on the assets of the social health insurance fund and target contribution funds allocated for the guaranteed volume of free medical care located in bank accounts;

5-1) on the money held in bank accounts intended for accounting for money of clients of the investment portfolio manager, for unfulfilled obligations of this investment portfolio manager;

5-2) on the money held in bank accounts intended for accounting for the money of clients of a person acting as a nominal holder, for unfulfilled obligations of this person acting as a nominal holder;

5-3) on the money held in bank accounts for clearing activities on transactions with financial instruments;

6) on the money of banks, insurance (reinsurance) organizations, voluntary accumulative pension funds deprived by authorized body of the license and (or) being in the process of compulsory liquidation;

6-1) for money of branches of non-resident banks of the Republic of Kazakhstan, branches of insurance (reinsurance) organizations-non-residents of the Republic of Kazakhstan, revoked a license by the authorized state body and in the process of forced termination of activities;

7) on the money held on bank accounts intended for crediting compensation of investment costs, in accordance with the legislation of the Republic of Kazakhstan in the field of public-private partnership and on concessions;



8) for money held on the current account of a private enforcement agent intended for the storage of recovered amounts in favor of claimants.

9) for the money held on the bank account of a single operator in the field of public procurement, intended to be deposited by potential suppliers or suppliers of money as security measures in the framework of participation in public procurement in accordance with the Law of the Republic of Kazakhstan "On Public Procurement";

10) on money on the bank accounts of a citizen in respect of which a case has been initiated on the application of a procedure or a procedure has been applied in accordance with the Law of the Republic of Kazakhstan "On the restoration of solvency and bankruptcy of citizens of the Republic of Kazakhstan";

11) on money on the current account of the financial manager for crediting money in the judicial bankruptcy procedure in accordance with the Law of the Republic of Kazakhstan "On the restoration of solvency and bankruptcy of citizens of the Republic of Kazakhstan";

12) on money located in bank accounts intended for the transfer of financial assistance provided in accordance with subparagraph 1) of paragraph 4 of Article 112 of the Social Code of the Republic of Kazakhstan.

The provision of subparagraph 7) of part two of this paragraph shall not apply to restrictions imposed by state revenue bodies, as well as the courts on the basis of judicial acts and the bailiffs on the basis of the bailiffs' resolutions, sanctioned by the Prosecutor, for which there are requirements relating to the first, second and third stages in accordance with the priority provided by paragraph 2 of Article 742 of the Civil code of the Republic of Kazakhstan.

The provision of subparagraph 8) of the second part of this paragraph shall not apply to restrictions imposed by the authorized body in the field of enforcement of enforcement documents, its territorial bodies, on the suspension of debit transactions on a current account intended for storing recovered amounts in favor of collectors, a private enforcement agent, action whose license has been suspended or terminated or whose license has been revoked.

When an arrest is imposed to ensure the execution of an enforcement document on the basis of a decision of a territorial justice body within the framework of simplified proceedings obtained through the state automated information system of enforcement proceedings, the amount of money and the value of the property on which the arrest is imposed must not exceed the amount specified in the enforcement document.

The decision of the territorial justice body within the framework of simplified proceedings, received through the state automated information system of enforcement proceedings, is not subject to sanction by the prosecutor.

In the case of seizure in support of claims, the amount of money on which the arrest is imposed shall not exceed the amount of the claim and the amount of the state fee and costs associated with execution of decisions, sentences, rulings and resolutions of the court. In the case of seizure by a bailiff to ensure execution of a writ of execution, the amount of money

and value of the property on which the arrest is imposed shall not exceed the amount required to repay the awarded amount to the claimant, as well as fines imposed on the debtor in the process of execution of the writ of execution, the amounts of payment for activity of a private bailiff and execution costs.

In this case, the resolutions of bailiffs, sanctioned by the Prosecutor may be sent on paper or in electronic form through the state automated information system of enforcement proceedings.

To seize the funds of individuals and legal entities, courts, inquiry and preliminary investigation bodies, bailiffs, territorial justice bodies send documents in accordance with the requirements of the legislation of the Republic of Kazakhstan to banks or organizations carrying out certain types of banking operations.

All expense operations on bank (except for correspondent) accounts of legal entities, its structural subdivisions, non-resident, carrying out activity in Kazakhstan through a permanent institution, an individual, registered as individual entrepreneur, private notary, private bailiff, lawyer and professional mediator, in the cases, established by the laws of the Republic of Kazakhstan may be suspended upon the orders of the state revenue bodies, and collection may be levied only on the grounds, provided by the laws of the Republic of Kazakhstan. Debit transactions on a current account intended for storing recovered amounts in favor of collectors, a private enforcement agent whose license has been suspended or terminated or whose license has been revoked may be suspended on the basis of an order of the authorized body in the field of enforcement of enforcement documents, its territorial bodies.

Operations on bank accounts of individuals and legal entities shall be suspended in cases and in the manner prescribed by the Law of the Republic of Kazakhstan "On Counteraction of Legitimization (Laundering) of Incomes Received by Illegal Means and Financing of Terrorism".

At the same time, the orders of the state revenue bodies, the authorized body in the field of enforcement of executive documents, its territorial bodies may be sent to banks or organizations engaged in certain types of banking operations, on paper or in electronic form by means of transmission over a telecommunications network or the state automated information system of the executive production.

The order sent on paper must be signed by the first head and certified by the seal of the state revenue bodies or by the head of the structural unit of the authorized body in the field of enforcement of executive documents, its territorial bodies and certified by the seal.

The order of the state revenue bodies or the authorized body in the field of enforcement of executive documents, its territorial bodies, sent in electronic form, shall be formed in accordance with the formats established by the authorized state bodies in agreement with the National Bank of the Republic of Kazakhstan.

1-1. Banks shall refuse to execute acts on temporary restriction on the disposal of property held in the bank, in case of absence of the consent of the Prosecutor in accordance with the requirements of the criminal procedure legislation of the Republic of Kazakhstan.

Banks shall refuse to execute acts of seizure in case of absence of the amount to be seized and (or) absence of approvals or sanctions provided by the criminal procedure legislation of the Republic of Kazakhstan and the legislation of the Republic of Kazakhstan on enforcement proceedings and the status of bailiffs.

2. Confiscation of money and other property of an individual and legal entity located in a bank, except for pension assets, assets of the social health insurance fund, and targeted contribution funds allocated for the guaranteed volume of free medical care, can be carried out only based on a judicial ruling that has entered into legal force decisions (sentence).

Footnote. Article 51 as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 29.03.2000 No 42; dated 09.08.2002 No 346; dated 22.06.2006 No 147; dated 10.12.2008 No 101 -IV (shall be enforced from 01.01.2009); dated 28.08.2009 No 192 -IV (shall be enforced from 08.03.2010); dated 02.04.2010 No 262 -IV (shall be enforced from 21.10.2010); dated 10.02.2011 No 406 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.07.2011 No 467 -IV (shall be enforced from 01.01.2012); dated 21.06.2012 No 19 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.06.2013 No 106 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 15.01.2014 No 164 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 10.06.2014 № 206-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 28.11.2014 № 257 ( the procedure for enforcement see subparagraph . 12) of Article 10); dated 29.10.2015 № 376-V (shall be enforced from 01.01.2016); dated 12.11.2015 № 393-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 16.11.2015 № 406-V (shall be enforced from 01.07.2017); dated 24.11.2015 № 419-V (shall be enforced from 01.01.2016); dated 26.07.2016 № 12-VI (shall be enforced upon expiry of thirty calendar days after its first official publication); dated 30.06.2017 № 80-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 12.12.2017 № 114-VI (shall be enforced from 01.01.2018); dated 04.07.2018 № 171-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.01.2019 № 217-VI (shall be enforced upon expiry of three months from the dated of its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated December 26, 2019 № 284-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication); dated 26.06.2020 № 349-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 02.01.2021 № 399-VI (for the procedure of enactment see ct.2); dated 15.11.2021 № 72-VII (shall come into force from

01.01.2022); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 30.12.2022 № 177-VII (shall be enforced ten calendar days after the date of its first official publication); dated 30.12.2022 № 179-VII (shall be enforced sixty calendar days after the date of its first official publication); dated 19.04.2023 № 223-VII (shall be enforced from 01.01.2024); dated 16.11.2023 № 40-VIII (shall be enforced from 01.01.2024); dated 16.05.2024 № 82-VIII (comes into force ten calendar days after the date of its first official publication); dated 19.06.2024 № 97-VIII (comes into force sixty calendar days after the date of its first official publication); dated 22.11.2024 № 138-VIII (shall be enforced six months after the day of its first official publication).

#### **Article 52. Mandatory deposit insurance**

Footnote. Article 52 is excluded by the Law of the Republic of Kazakhstan dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009).

#### **Chapter 4-1. Particularities of establishment and operation of the Islamic banks**

Footnote. The Law is supplemented by Chapter 4-1 in accordance with the Law of the Republic of Kazakhstan dated 12.02.2009 No 133 -IV (the order of enforcement See Art. 2).

#### **Article 52-1. Requirements to the activity of an Islamic bank**

An Islamic bank shall not be entitled to charge fees in the forms of percent, to guarantee the return of the investment deposit or income thereon, to finance (lend) the activities, related to the production and (or) trade of tobacco, alcoholic products, weapons and ammunition, gambling, as well as other types of business activities, the financing (lending) of which is prohibited by the council for the principles of the Islamic financing.

The council for Islamic financing shall be entitled to define other requirements to the activities of an Islamic bank, obligatory for fulfillment by the Islamic bank.

#### **Article 52-2. Activity of the council for Islamic financing**

1. In order to define compliance of the activities and transactions of the Islamic bank with the requirements, specified in Article 52-1 of this Law, the council shall be obligatorily established in the Islamic bank under the principles of Islamic financing.

2. The council for the Islamic financing shall be an independent body, appointed by the general meeting of the shareholders of the Islamic Bank on the recommendation of the board of directors.

3. The rules of the general terms of transactions of an Islamic bank, the Rules of internal credit policy of the Islamic bank shall have to be approved by the board of directors of the Islamic bank under a positive resolution of the council for Islamic financing.

4. Unless otherwise provided by this Law, the charter or internal rules of the Islamic bank, the decisions of the credit committee of the Islamic bank, taken in accordance with the Rules of the internal credit policy of the Islamic bank, and the transactions, performed in accordance with the Rules of the general terms of transactions of the Islamic bank, shall not require the

separate approval of the council of Islamic financing. At that, the council for Islamic financing shall have the right to check any transaction in its discretion for its compliance with the requirements, specified in Article 52-1 of this Law.

**Article 52-3. Consequences of recognizing the transactions and operations of an Islamic bank non-complying with the requirements to the activities of the Islamic bank**

1. In case if the council for Islamic financing recognizes the transactions, that are under conclusion, not complying with the requirements, specified in Article 52-1 of this Law, such transaction may not be concluded and executed.

2. In case if the council for Islamic financing recognizes the transaction that was concluded but not executed or partially executed not complying with the requirements, specified in Article 52-1 of this Law, such transaction shall be prematurely terminated at the request of an Islamic bank in the order, established by the civil legislation of the Republic of Kazakhstan.

3. In case if the council for Islamic financing recognizes the transaction that is executed or partially executed not complying with the requirements, specified in Article 52-1 of this Law, the income of an Islamic bank on such a transaction shall be spent on charity.

**Article 52-4. Additional requirements for the charter of an Islamic bank**

In addition to the information, specified in Article 14 of this Law, the charter of an Islamic bank shall contain the following information:

- 1) the goals of an Islamic bank;
- 2) the objectives, functions and powers of a regular body of an Islamic bank - council for Islamic financing, as well as the order of its establishment and requirements to the members of the council for Islamic financing.

**52-5. Banking and other operations of an Islamic bank**

1. The banking operations of an Islamic bank shall be as follows:
  - 1) acceptance of non-interest withdrawable on demand deposits of individual and legal entities, opening and maintaining of the bank accounts of individual and legal entities;
  - 2) acceptance of investment deposits of individual and legal entities;
  - 3) bank borrowing transactions: allocation of cash loans by an Islamic bank under the terms of maturity, repayment and without charging a fee;
  - 4) financing of individuals and legal entities as a trade intermediary by providing commercial credit:
    - without conditions on the subsequent sale of goods to a third party;
    - on the conditions of the subsequent sale of goods to a third party;
  - 4-1) financing of production and trade activities through participation in the authorized capital of legal entities and (or) on the conditions of partnership;
  - 5) investment activities under leasing agreements (renting);
  - 6) the agency activity in the banking operations of an Islamic bank.

2. Banking operations provided by subparagraphs 4), 4-1) and 5) of paragraph 1 of this Article shall be carried out by the Islamic bank at the expense of its own money and (or) money attracted for investment deposits. In this case the Islamic bank and (or) clients on the investment deposit shall acquire the right of common ownership to the property acquired at the expense of their money and the Islamic bank shall act as a participant in common share ownership and (or) trust manager, carrying out management of property, related to common share ownership. Islamic bank as a trust manager shall have the right to ensure state registration of rights to real estate, registration of vehicles and other movable property in accordance with the requirements of legislative acts of the Republic of Kazakhstan. The Islamic bank shall keep records of the participants of the common share ownership to the acquired property.

3. The Islamic bank shall be entitled, if it is provided for by the charter, to perform certain types of banking and other transactions, specified in of Article 30 of this Law, in compliance with the requirements, specified in Article 52-1 of this Law, except for the following transactions:

1) factoring transactions: acquisition of rights to demand payment from the buyer of goods (works, services) with the assumption of the non-payment risk;

2) forfeiting transactions (forfeiting): payment of the debt obligations of the buyer of the goods (works, services) through the purchase of the bill without a recourse to the seller.

The council for Islamic financing shall be entitled to recognize certain banking and other transactions, specified in Article 30 of this Law, as not complying with the requirements, specified in Article 52-1 of this Law.

4. A branch of the non-resident Islamic bank of the Republic of Kazakhstan in the presence of a license of the authorized body shall have the right to carry out in the territory of the Republic of Kazakhstan:

1) banking operations, provided for by subparagraphs 1), 2), 3), 4), 5) and 6) of paragraph 1 of this Article;

2) if it is provided for by the regulation on the branch, certain types of banking and other operations, professional activities in the securities market, provided for in paragraph 2-1 of Article 30 of this Law (except for operations, indicated in subparagraphs 6) and 7) of paragraph 11 of Article 30 of this Law), in compliance with the requirements specified in Article 52-1 of this Law.

**Footnote. Article 52-5 as amended by the Law of the Republic of Kazakhstan dated 25.03.2011 No 421 -IV (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).**

**Article 52-6. Deposits of an Islamic bank**

1. Under the contract of the interest-free withdrawable on demand deposit, the Islamic bank shall agree to accept the client's money into a bank withdrawable on demand deposit, without payment or guarantee of payment of remuneration in the form of interest, and to return the deposit or part of it at the request of the client. The rules of the contract on bank deposit shall be applied to the contract of the interest-free deposit of the Islamic bank, except for the conditions on payment of interest on it.

2. Under the contract on investment deposit, the Islamic bank shall agree to accept the client's money for a certain period without a guarantee of the money return in nominal terms, to pay the income on the money, depending on the results of the use of the money, transferred in the order, defined by the investment deposit agreement. The rules of the contract on trust management of the property with the specifications, provided for in this Article on the order of use and repayment of money, rights and obligations of the client and the Islamic Bank, the order of defining and accrual of remuneration of the trustee - Islamic bank shall be applied to the investment deposit agreement of the Islamic bank.

When concluding an investment deposit agreement, a current bank account may be opened.

3. Terms and conditions of the investment deposit agreement shall define the remuneration of the trustee - Islamic Bank for the management of the client's money - trustor, the terms and the order of the money return, the risks of loss from the money use and other conditions.

4. The remuneration of the Islamic bank shall be determined as a part of the income received from the use of money attracted to the investment deposit, provided that the remuneration can be paid only at the expense of income from the use of money on the investment deposit. The Islamic bank shall lose the right to remuneration if the investment deposit is unprofitable (if there is no income as a result of using the money attracted on the investment deposit).

4-1. The conditions of the investment deposit contract may not provide for a guaranteed amount of income on the investment deposit and (or) remuneration of the Islamic bank, except for the case providing for the placement of the attracted money by the Islamic bank in assets on which a yield can be obtained at the level determined in the investment deposit contract.

5. A client shall lose the right to receive income for the early repayment of the investment deposit, upon his request, unless otherwise provided by the investment deposit agreement.

6. Investment deposit agreement may include conditions to allow the client to define the ways how to use the money, the list of assets or facilities for investing money or conditions for the use of client's money separately from the money of other clients without the right of association.

7. The Islamic bank shall be obliged to keep records of the use of money on individual investment deposits to define the order and the results of the use of money, including



determination of the ways of the money use, the list of assets or facilities for investing money, the amount of revenue or loss of such use, the amount of remuneration of the Islamic bank.

8. At the request of the client, the Islamic bank shall submit a report on the use of money on the investment deposit.

9. Unless otherwise provided by the agreement, the client, that transferred money to the investment deposit, shall not be liable for the obligations of the Islamic bank, arising in connection with the placement of money, but shall cover the risk of losses, associated with the decrease of the assets value in which the money was invested, within the amount of money, placed on the investment deposit.

10. The Islamic bank shall not be liable for the losses, resulting from the decrease in the value of the assets in which the money of the investment deposit was invested, except for the cases where such losses were incurred by its fault.

If the losses, associated with the decrease in the value of assets in which the money of the investment deposit was invested, arose due to the fault of the Islamic bank, the Islamic Bank shall be obliged to inform the client about the origin of such losses.

**Footnote. Article 52-6 as amended by the Law of the Republic of Kazakhstan dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after its first official publication).**

#### **Article 52-7. Particularities of issuance of securities by an Islamic bank**

The Islamic bank shall be entitled to issue shares or other securities, except for the preferred shares, bonds or other debt securities, providing a debt, a guaranteed remuneration or remuneration in the form of a percent from the cost.

Article 52-8. Financing of individuals and legal entities as a trade intermediary by providing commercial credit without conditions for the subsequent sale of goods to a third party

**Footnote. The title of Article 52-8 as amended by the Law of the Republic of Kazakhstan dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days of its first official publication).**

1. Islamic banks shall have the right to finance individuals and legal entities as a trade intermediary by providing a commercial credit to the buyer or seller of goods on the basis a contract on commercial credit of the Islamic bank (hereinafter- the commercial credit contract ).

**2. Is excluded by the Law of the Republic of Kazakhstan dated 27.04.2015 № 311-V ( shall be enforced upon expiry of ten calendar days after its first official publication).**

Acceptance of the Islamic bank shall be given after the acquisition of the property right to the goods by the bank. Upon receipt of the Islamic bank's acceptance by the buyer during the validity of the offer, execution of the commercial credit agreement shall be mandatory for the

buyer. In case if the buyer fails to perform the commercial credit agreement, the buyer shall reimburse the real damage, caused to the Islamic bank by such failure, and the Islamic bank shall sell the goods to the third person or return it to the seller.

3. The rules of the agreement of sale and purchase of goods on credit (deferral of payments or payment by installments) with the particularities, specified in this Article and the requirements, specified in Article 52-1 of this Law, shall be applied to the commercial credit agreement.

4. The commercial credit agreement shall contain the conditions about the name and quantity of the goods, the price at which the buyer purchases the goods from the Islamic bank, indicating the amount of the markup on the goods, and the terms of the commercial credit (deferral of payments or payment by installments).

5. Unless otherwise provided by the commercial credit agreement, the price of the sale of goods to the buyer by the Islamic Bank shall be composed of the sum of the purchase price of the goods from the seller and the mark-up on goods. The markup may be set as a fixed amount or a percentage of the purchase price of the goods from the seller.

6. When purchasing goods, the Islamic bank shall be obliged to specify in the contract of sale with the seller that the goods are purchased for the conclusion of a commercial credit contract.

7. Acquisition of the goods shall not be allowed from the seller, acting as the buyer at the same time under the commercial credit agreement. The sale or purchase agreement of an Islamic bank with the seller of goods may include the conditions regarding the advance purchase of goods, the possibility of returning the goods, purchased in a specified period of time and refund of the purchase price of the goods.

8. The commercial credit agreement may provide the conditions for fulfillment of the buyer's obligations to pay for goods through pledge of money or property.

9. If the subject of a commercial credit agreement is the purchase of goods to be manufactured (processed products, new movable thing, a newly established real estate), the products, received from the use of the property, or the performance of the service (in the form of separable fruits when using property, the produced agricultural, livestock or other similar products), the conclusion of the council for Islamic financing shall be required confirming compliance of the agreement with the requirements, established in Article 52-1 of this Law.

10. The commercial credit agreement, concluded between the Islamic bank and the seller, that is the manufacturer (producer) of the goods, specified in paragraph 9 of this Article, the immediate partial or full pre-payment of the purchased goods (commercial credit in the form of an advance payment) may be provided under the condition of the goods supply within the timeframes, defined by the parties' agreement (delay of delivery). When providing a commercial credit to the producer (manufacturer) of goods, the sale and purchase agreement

of the Islamic bank with a direct buyer of goods may include conditions for the immediate partial or full pre- payment of the goods under the condition of delivery of the goods within the period, determined by the agreement of the parties (delay of delivery).

11. In case of concluding the commercial credit agreement, provided for in paragraph 9 of this Article, the rules for the order, supply, contracting, paid services or other rules for the obligations, specified by the civil legislation of the Republic Kazakhstan shall be applied to the relationship between the bank and the producer (manufacturer) of goods.

**Footnote. Article 52-8 as amended by the Law of the Republic of Kazakhstan dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after its first official publication).**

**Article 52-9. Funding of production and trading activities through the ownership interest in the authorized capitals of legal entities and (or) under the partnership conditions**

1. An Islamic Bank shall be entitled to fund the manufacturing and trading activities on the basis of the partnership agreement in order to obtain income or achieve another purpose not contradicting the legislation of the Republic of Kazakhstan. The partnership agreement may provide for the condition on establishment of a legal entity (partnership agreement with establishment of a legal entity).

2. The partnership agreement may be signed after receiving of an approval from the council for Islamic financing. Violation of the requirements, established in Article 52-1 of this Law, shall be the ground for early termination of the partnership agreement, and (or) liquidation of a legal entity, established under the partnership agreement or for the alienation of the shares of an Islamic bank, including the stocks and ownership interests in the authorized capitals of the legal entities, and spending of the revenues to the charities.

3. The rules of the joint activity agreement with the specifications, provided in this Article shall be applied to the partnership agreement without the condition of establishing a legal entity (a co-partnership agreement with the Islamic Bank).

4. A co-partnership agreement with the Islamic bank shall contain the purpose of the joint activity, the validity of the contract or the conditions under which the contract is terminated, the order and frequency of distributions of income, coming from joint activity, the party's liability for breach of contract, information about the list, types and value of the property, contributed by each participant to perform the joint activities. Unless otherwise provided by the contract, the size of the share of each of the participants in the common property shall be proportional to the value of the property, contributed to the joint activities. Agreement may stipulate conditions on the use of the income, received from the joint activity, for charities.

5. The income, coming from the joint activities, the general expenses and losses of the participants of the co- partnership agreement with the Islamic bank shall be distributed proportionally to the share in the common property, unless otherwise provided by the

agreement. The income of the co-partnership with participation of the Islamic Bank shall be distributed by the actual results excluding the expected income. The income of a participant of the co-partnership may not be set as a fixed amount of money.

6. In case of insufficiency of the common property of the co-partnership, the participants shall be liable for the obligations associated with the partnership agreement, in proportion to the shares in the common property.

7. The rules of the foundation agreement of a legal entity of a relevant organizational and legal form shall be applied to the partnership agreement with establishment of a legal entity, unless otherwise provided by the agreement.

8. In addition to the information, provided by the legislation of the Republic of Kazakhstan to the foundation agreement of a legal entity of a certain organizational and legal form, a partnership agreement with the establishment of a legal entity shall contain the information about the purposes and terms of partnership, the condition on the distribution of income of the legal entity in proportion to the invested share of each participant.

9. The rules of the partnership agreement with the establishment of a legal entity shall also apply to the cases of partnership, the terms of which are the acquisition of shares (the ownership interest) of the legal entity, under a special condition that the purpose of the partnership is to finance industrial or commercial activities of this legal entity.

#### **Article 52-10. Investment activities under leasing (rental) agreements**

1. Islamic banks shall be entitled to perform investment activities under the property leasing (rental) agreements.

2. The rules on financial leasing or renting of the property with the specifications, provided in this Article shall be applied to the relations of the Islamic bank on investment activities under the agreements of leasing (renting) of property.

3. The terms of the leasing (renting) agreement with an Islamic bank may not provide the right to purchase the rented property. The ownership right to the rented property may go to the lessee (tenant) on the basis of a separate agreement.

4. Unless otherwise provided by the charter or the internal rules of an Islamic bank, the transactions in leasing or renting of property shall be made in accordance with the Rules of the general conditions for transactions of an Islamic bank, approved in accordance with the requirements of paragraph 3 of Article 52-2 of this Law and shall not require a separate approval of the council for Islamic financing.

5. The agreement may specify the condition of ensuring the obligations to pay the lease payments (or rent) as a pledge of property.

#### **Article 52-11. Agent activity when performing the banking transactions of an Islamic bank**

1. An Islamic bank, when performing the banking operations of an Islamic bank, shall be entitled to perform the agent activities, in accordance with which the Islamic bank acts as the agent of its client or appoints a third party as its agent.

2. In accordance with the agent agreement the agent on behalf of and under the instruction of a client, or on its own behalf, but under the instruction and at the expense of the client, on the basis of his experience and knowledge, for a fee, shall agree to perform certain legal actions aimed at income generating.

3. The rules on the agency contract or commission with the specifications, provided in this Article shall be applied to the agent agreement of an Islamic bank depending on the conditions.

4. Individual and legal entities, including banks and other financial institutions may be the party of the agency agreement (the client or agent), concluded with the Islamic bank.

5. The terms of the agent agreement shall establish the procedure for determining and paying of the agent's remuneration. The terms of the agent agreement may not provide for a guaranteed amount of the client's income.

6. Agent shall reserve the right to receive compensation regardless of the performance of the agent agreement.

7. The risk of loss as a result of the agent's activity shall be covered by the client of the agent agreement, except for the cases of damages, caused by the agent.

Article 52-12. Islamic financing of individuals and legal entities with the participation of the Islamic bank as a trade intermediary by providing a commercial credit on the conditions of the subsequent sale of goods to a third party

1. The provisions of Article 52-8 of this Law shall apply to Islamic financing of individuals and legal entities as a trade intermediary by providing commercial credit on the conditions of subsequent sale of goods to a third party, taking into account the features provided by this Article.

For the purposes of this Article, an individual or a legal entity, who purchases goods from an Islamic bank and subsequently sells them to a third party shall be referred to as a client of the bank.

2. Islamic financing of individuals and legal entities as a trade intermediary through the provision of commercial credit on the terms of the subsequent sale of goods to a third party shall be recognized a transaction, carried out under a commercial credit contract agreement subject to the following conditions:

1) the parties on the commercial credit contract shall be the Islamic bank and the client of the bank. The commercial credit contract shall specify the third party to whom the subsequent sale of goods by the client of the bank shall be carried out (for the purposes of this Article – the third party);

2) purchase of goods by the client of the bank under the commercial credit contract, as well as subsequent sale of goods by the client of the bank to a third party shall be made with the participation of the Islamic bank;

3) commercial credit shall be provided on the terms of sale by the client of the bank to a third party of the goods, purchased by the client of the bank from the Islamic bank. However,

the right of ownership for the goods, sold under the contract on commercial credit shall be transferred to a third party immediately after the conclusion of the contract on commercial credit, payment shall be made by a third party without delay after transfer of goods and documents on this item at the purchase price of such goods by the Islamic bank from the supplier of the goods;

4) goods sold on international commodity exchanges and purchased by the Islamic bank on international commodity exchanges or over-the-counter market outside the Republic of Kazakhstan shall be determined as goods in the commercial loan contract. The Islamic bank and the client of the bank shall not be entitled to sell the same goods simultaneously under several commercial loan contracts;

5) the client of the bank shall carry out the subsequent sale to a third party of the goods specified in the commercial credit contract in the quantity and price, specified in such contract, without taking into account the mark-up of the Islamic bank;

6) a seller of goods, carrying out sale of goods to an Islamic bank may not be a third party to whom the subsequent sale of goods is made;

7) the Islamic bank, the client of the bank and a third party shall not be related parties in accordance with the Code of the Republic of Kazakhstan "On taxes and Other Mandatory Payments to the Budget" (Tax Code).

3. For the purposes of this Article, an international commodity exchange shall be recognized a commodity exchange that meets the following requirements:

the commodity exchange shall carry out activity on the territory of the state having a sovereign rating not lower than the rating A of one of the rating agencies, the list of which shall be established by the authorized body;

information on the volume and number of exchange transactions concluded on the commodity exchange shall be published in statistical reports posted on the Internet resource of the World federation of exchanges.

The list of international commodity exchanges, where the purchase and sale of goods are made within the framework of financing of individuals and legal entities as a trade intermediary by providing commercial credit on the conditions of subsequent sale of goods to a third party, shall be established by the Government of the Republic of Kazakhstan.

4. In case of violation of the requirements established by this Article, such banking operation shall not be recognized as Islamic financing of individuals and legal entities with participation of the Islamic bank as a trade intermediary with registration of a commercial credit contract and with participation of a third party.

**Footnote. Chapter 4-1 is supplemented by Article 52-12 in accordance with the Law of the Republic of Kazakhstan dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after its first official publication).**

**Chapter 4-2. Voluntary reorganization of the bank in the form of conversion into an Islamic bank**

Footnote. The Law is supplemented by chapter 4-2 in accordance with the Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016).

Article 52-13. The concept of voluntary reorganization of the bank in the form of conversion into an Islamic bank

Voluntary reorganization of the bank in the form of conversion into an Islamic bank ( hereinafter – conversion of the bank into an Islamic bank) shall be understood as a set of measures aimed at transforming the activity of the bank in order to obtain the status of an Islamic bank and carry out activity in accordance with the requirements specified in Article 52-1 of this Law.

Article 52-14. Permission of the authorized body to convert the bank into an Islamic bank

1. Conversion of the bank into an Islamic bank shall be carried out by the decision of general meeting of shareholders of the bank with the permission of the authorized body.

The procedure for issuing a permit of the authorized body to convert a bank into an Islamic bank and refuse to issue a permit shall be determined by this Law and the regulatory legal act of the authorized body.

2. The following documents shall be attached to the application for permission of the authorized body to convert the bank into an Islamic bank:

1) the decision of general meeting of shareholders of the bank, which adopted a decision on voluntary reorganization of the bank in the form of conversion into an Islamic bank;

2) an action plan for conversion of the bank into an Islamic bank, meeting the requirements of Article 52-15 of this Law;

3) excluded by the Law of the Republic of Kazakhstan dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication);

4) a business plan for the period of conversion of a bank into an Islamic bank and the next three years after obtaining a license to conduct banking and other operations of an Islamic bank, the requirements for the content of which are established by a regulatory legal act of the authorized body, including:

description of the purpose and objectives of the bank and types of banking and other operations of the Islamic bank;

analysis of the bank's activity (analysis of external and internal environment);

development strategy and scope of the bank's activity for the period of conversion of the bank into an Islamic bank and three subsequent financial (operational) years after conversion of the bank into an Islamic bank;

detailed annual financial plan of the bank for the period of conversion of the bank into an Islamic bank and three subsequent financial (operational) years after conversion of the bank into an Islamic bank;

risk management plan (description of risks associated with carrying out of activity of the Islamic bank, and ways of management them for the period of conversion of the bank and



three subsequent financial (operational) years after conversion of the bank into an Islamic bank).

3. The application shall be considered by the authorized body within two months from the date of submission by the applicant of the documents specified in paragraph 2 of this Article.

If the bank submits an incomplete package of documents specified in paragraph 2 of this Article, the authorized body shall give a reasoned refusal to further consideration of the application within fifteen calendar days from the date of receipt of the documents.

4. The bank shall have the right to withdraw the application for permission of the authorized body to convert the bank into an Islamic bank before the authorized body decides to issue or refuse to issue a permit to convert the bank into an Islamic bank by submitting a written application in any form.

5. The grounds for refusal to issue a permit to convert a bank into an Islamic bank shall be :

1) non-elimination of the comments of the authorized body on the submitted documents within the term established by it;

2) non-compliance of the action plan for conversion a bank into an Islamic bank with the requirements provided by Article 52-15 of this Law;

3) non-compliance of the business plan with the requirements provided by subparagraph 4 ) of paragraph 2 of this Article;

4) financial forecast of consequences of conversion of the bank into an Islamic bank involves deterioration of financial condition of the bank as a result of conversion of the bank into an Islamic bank;

5) violation by the bank and (or) banking conglomerate of prudential standards and (or) other mandatory norms and limits and (or) availability of administrative sanction for an administrative offense provided by parts six, eight of Article 213, Article 227 of the code of the Republic of Kazakhstan on administrative offenses, within three consecutive calendar months preceding the date of filing an application for the issuance of permission to convert the bank into an Islamic bank;

6) violation of interests of the depositors of the bank as a result of the alleged conversion of the bank into an Islamic bank.

6. The authorized body shall be obliged to issue a permit to convert the bank into an Islamic bank or to give a reasoned refusal to issue this permit within the period, established by part one of paragraph 3 of this Article.

7. The authorized body revokes the issued permission to convert the bank into an Islamic bank in the following cases:

1) identification of false information on the basis of which the permit was issued;

2) the bank makes a decision on voluntary termination of its activities through reorganization in other forms or liquidation or taking a decision on termination of the bank's activity by the court;

3) non-fulfillment by the bank of requirements or violation of the deadlines for fulfilling the requirements provided by Article 52-17 of this Law;

4) refusal to issue a license to the bank to conduct banking and other operations of the Islamic bank.

The bank shall have the right to voluntarily return the permission to convert the bank into an Islamic bank issued to it before the expiration of the conversion period, specified in the permission of the authorized body to convert the bank into an Islamic bank.

When revoking permission for conversion of the bank into an Islamic bank or a voluntary return by the bank of this permit, the authorized body shall take the decision to cancel a previously issued permit within two months from the date of discovery of the fact that is the ground for revocation of the permit, or for filing by the bank of the application on voluntary return of the permit.

**Footnote. Article 52-14 as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated November 25, 2019 № 272 -VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication).**

Article 52-15. Actions plan for conversion of the bank into an Islamic bank

1. The actions plans for conversion of the bank into an Islamic bank shall be approved by the board of directors of the bank.

2. The actions plan for conversion of the bank into an Islamic bank should contain a detailed description of the following activities, including the terms of their implementation:

1) creation of the council on Islamic finance principles;

2) development of standard conditions of contracts on carrying out banking operations of the Islamic bank, provided by paragraph 1 of Article 52-5 of this Law;

3) determination of the list of banking and other operations:

subject to conversion into banking operations of the Islamic bank provided by paragraph 1 of Article 52-5 of this Law;

not requiring conversion, the implementation of which is permitted to an Islamic bank in accordance with paragraph 3 of Article 52-5 of this Law;

not requiring conversion on the ground of expiration of the contracts before the end of the conversion period, specified in the actions plan for conversion of the bank into an Islamic bank,

not subject to conversion on the ground of non-compliance with the requirements of Article 52-1 of this Law;

4) determination of the potential volume of assets and liabilities of the bank for banking and other operations, specified in subparagraph 3) of this paragraph;

5) publication of the announcement on conversion in periodicals, distributed throughout the Republic of Kazakhstan, in the Kazakh and Russian languages, and placement on the Internet resource of the bank;

6) a written notification of the bank's clients on conversion of the bank into an Islamic bank, indicating the list of banking and other operations provided by subparagraph 3) of this paragraph, the deadline for submitting a written refusal or consent provided by paragraph 4 of Article 52-16 of this Law, and the address at which they are accepted;

7) review and change of corporate management and internal policies and procedures, other internal documents of the bank taking into account new types of activity;

8) determination of executives employees of the bank, responsible for implementation of the actions plan for conversion of the bank into an Islamic bank;

9) carrying out work with clients on contracts for conducting banking and other operations;

10) rework of the software for conducting banking and other operations of the Islamic bank;

11) submission to the authorized body of the report on implementation of actions provided by the actions plan for conversion of the bank into an Islamic bank;

12) appeal to the Corporation for state re-registration of the bank into an Islamic bank;

13) appeal to the authorized body with an application for issuance a license to conduct banking and other operations of the Islamic bank;

14) planned term by the bank for conversion of the bank into an Islamic bank, which shall not exceed the term specified in paragraph 7 of Article 52-16 of this Law;

15) other actions necessary to convert the bank into an Islamic bank.

**Footnote. Article 52-15 as amended by the Law of the Republic of Kazakhstan dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019).**

**Article 52-16. Activity of the bank during its conversion into an Islamic bank**

1. During the conversion period, the bank shall be obliged to carry out actions provided by the actions plan for conversion of the bank into an Islamic bank.

2. After obtaining the permission of the authorized body to convert the bank into an Islamic bank, the general meeting of shareholders of the bank, on the recommendation of the board of directors, shall appoint the council on the principles of Islamic financing.

3. The bank within ten working days after obtaining the permission of the authorized body to convert the bank into an Islamic bank shall:

1) publish the announcement on conversion in periodicals, distributed throughout the Republic of Kazakhstan, in the Kazakh and Russian languages, and place on the Internet resource of the Bank;

2) send a written notification to the clients of the bank about the conversion of the bank into an Islamic bank, indicating the list of banking and other operations provided by subparagraph 3) of paragraph 2 of Article 52-15 of this Law, the deadline for submitting a written refusal or consent provided by paragraph 4 of this Article, and the address at which they are accepted.

4. Clients of the bank within thirty calendar days from the date of receipt of the written notification, specified in paragraph 3 of this Article shall be obliged to submit a written refusal or consent to the bank:

1) for the change of conditions of the contract on banking and other operations subject to conversion into banking operations of the Islamic bank provided by paragraph 1 of Article 52-5 of this Law;

2) for the change of conditions of the contract on banking and other operations not requiring conversion, the implementation of which is permitted to an Islamic bank in accordance with paragraph 3 of Article 52-5 of this Law, in part of changing the name of the bank, associated with the conversion of the bank into an Islamic bank;

3) for assignment of the right (claim) or transfer of the debt under the contracts on banking and other operations not requiring conversion on the ground of expiration of the contracts before the end of the conversion period, specified in the permission of the authorized body to convert the bank into an Islamic bank, or not subject to conversion on the ground of non-compliance with the requirements of Article 52-1 of this Law.

Non-provision of the response within the specified period in accordance with subparagraphs 1) and 2) of part one of this paragraph shall be considered as a refusal of the client, in accordance with subparagraph 3) of part one of this paragraph shall be considered as consent of the client.

If the client provides a written refusal under the contracts, specified in subparagraphs 1), 2) and 3) of part one of this paragraph, the validity of these contracts shall be subject to termination before the bank submits to the authorized body the report, specified in paragraph 1 of Article 52-17 of this Law.

Implementation of actions, provided in subparagraphs 1) and 2) of part one of this paragraph shall be carried out by concluding an additional agreement to the contract containing the conditions of conducting banking operations of the Islamic bank or providing for changes in the name of the bank, associated with conversion of the bank into an Islamic bank, subject to its entry into force after the bank receives a license to conduct banking and other operations of the Islamic bank.

If there are unfulfilled requirements to the bank accounts of the clients of the bank (including the orders of authorized state bodies having the right to suspend expenditure operations on the bank account, as well as decisions (resolutions) of authorized bodies or officials having the right to seize the client's money) and insufficiency or lack of money (including absence of money movement for less than a year), the bank shall have the right to refund such claims and close bank accounts.

5. Permission to convert a bank into an Islamic bank shall be subject to return by the bank to the authorized body when issuing a license to the bank to conduct banking and other operations of the Islamic bank or when a court takes decision to terminate the activity of the bank, as well as in case of revocation of permission by the authorized body.

6. During the period of its conversion into an Islamic bank, the bank shall be prohibited to extend the validity of contracts or conclude new contracts for conducting banking and other operations, as well as to carry out types of professional activity in the securities market, provided in paragraphs 2, 11 and 12 of Article 30 of this Law.

7. The term of conversion of the bank into an Islamic bank may not exceed five years. This term shall be extended by the authorized body at the request of the bank for a period not exceeding one year.

8. The decision to use the income received by the bank during the conversion period from transactions that not complying with the requirements, specified in Article 52-1 of this Law shall be made by the council on the principles of Islamic financing of the bank.

Article 52-17. State re-registration of the bank in the corporation and issuance of a license to conduct banking and other operations of the Islamic bank

**Footnote. The title of Article 52-17 as amended by the Law of the Republic of Kazakhstan dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019).**

1. Not later than six months before the expiration of the conversion, specified in the permission of the authorized body, the bank shall submit to the authorized body a report on implementation of actions provided by the actions plan to convert the bank into an Islamic bank with attachment of confirming documents.

2. If there are comments to the report, specified in paragraph 1 of this Article, the authorized body shall have the right to require the bank to perform additional actions and (or) provide additional information and documents. The bank shall be obliged to take into consideration the comments of the authorized body (to perform the required additional actions and (or) to provide additional information and documents) and re-submit to the authorized body a report on implementation of actions, provided by the actions plan to convert the bank into an Islamic bank with attachment of confirming documents within the established by the authorized body term.

3. The authorized body shall approve or refuse to approve the report on implementation of the actions, provided by the actions plan for conversion bank into an Islamic bank within two months from the date of its submission to the authorized body.

4. After approval by the authorized body of the report, specified in paragraph 1 of this Article, the bank shall, within thirty calendar days, apply to the Corporation for state re-registration of the bank.

The Charter of the Islamic bank shall contain the information provided by paragraph 3 of Article 14 and Article 52-4 of this Law.

5. The bank shall be obliged, within thirty calendar days from the date of state re-registration with the Corporation, but not later than thirty working days before the end of the conversion period, specified in the permission of the authorized body, apply to the authorized body with an application:

1) on the issuance of a license to conduct banking and other operations of the Islamic bank with attachment of the following documents:

a notarized copy of the charter of the Islamic bank;

a document, confirming the payment of the license fee to the budget for the right to engage in certain types of activity;

provisions on the council on the principles of Islamic financing of the bank;

rules on general conditions of conducting operations of the Islamic bank;

rules on the internal credit policy of the Islamic bank;

2) on renewal of the license to carry out activity in the securities market (if available) in the manner prescribed by the Law of the Republic of Kazakhstan "On Permits and Notifications".

6. The liquidation commission shall be obliged, within seven days after the approval of liquidation balance sheet and the report on liquidation of the bank, to submit them to the Corporation and the authorized body.

The procedure for licensing banking and other operations of the Islamic bank shall be determined by Article 26 of this Law.

7. From the moment of issuance of a license to the bank to conduct banking and other operations of the Islamic Bank:

1) the previously issued license to conduct banking and other operations shall cease its validity;

2) conversion of a bank to an Islamic bank shall be considered completed.

The bank shall be obliged to return to the authorized body the original of the previously issued license within ten working days after receiving the license to conduct banking and other operations of the Islamic bank, to carry out activity in the securities market.

**Footnote. Article 52-17 as amended by the Law of the Republic of Kazakhstan dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019).**

## **Chapter 5. Financial Accounting and Reporting**

### **Article 53. Financial (operational) year of the bank**

A financial (operational) year of the bank shall begin on 1 January and shall end on 31 December. If the registration of the bank is made after 1 January, the first financial (operational) year shall start from the date of the state registration of the bank and shall end on 31 December of the same year.

### **Article 54. Accounting and reporting in banks**

1. The list, forms of financial and other reporting of banks, including financial and other reporting on a consolidated basis, the terms and procedure for its submission to the National Bank of the Republic of Kazakhstan shall be established by the regulatory legal acts of the National Bank of the Republic of Kazakhstan in agreement with the authorized body.

The list, reporting forms according to accounting data and other reporting of branches of non-resident banks of the Republic of Kazakhstan, the terms and procedure for its submission to the National Bank of the Republic of Kazakhstan shall be established by the regulatory legal acts of the National Bank of the Republic of Kazakhstan in agreement with authorized body.

Banks shall keep records of operations and events in accordance with the legislation of the Republic of Kazakhstan on accounting and financial reporting and international financial reporting standards.

2. Banks are obliged to provide, at the request of the authorized body and the National Bank of the Republic of Kazakhstan, any information about their funds, including those located outside the Republic of Kazakhstan, the amount of deposits and loans granted, performed and performed banking operations and other information, including information constituting banking secrecy.

3. Excluded by the Law of the Republic of Kazakhstan dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).

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

Footnote. Article 54 is in the wording by the Law of the Republic of Kazakhstan dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication.); as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168 -VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).

Article 54-1. Reporting of major participants of the bank and bank holding companies

1. The list, forms of financial and other reports of large participants of the bank and bank holding companies, the terms and procedure for its submission to the National Bank of the Republic of Kazakhstan are established by regulatory legal acts of the National Bank of the Republic of Kazakhstan in agreement with the authorized body.

2. A major bank participant, who is an individual – the resident of the Republic of Kazakhstan, in addition to the reporting provided for in paragraph 1 of this Article, must, within five working days after the date of submission to the tax authority of the declaration on income and property, submit to the authorized body a copy of it with confirmation of the submission of the declaration to the tax authority.

Footnote. Article 54-1 is in the wording of the Law of the Republic of Kazakhstan dated 18.11.2015 № 412-V (shall come into force from 01.01.2021); dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official



publication); amended of The Laws RK of 03.07.2019 № 262-VI (put into effect from 01/01/2020);

**Article 55. Publication of the key performance indicators of a bank and a bank holding company**

1. Banks shall publish annual consolidated financial reporting, and in case of absence of a subsidiary (subsidiaries)- non-consolidated financial reporting and the audit report in accordance with the procedure and terms, established by the regulatory legal act of the authorized body, after confirmation by the audit organization, complying with the requirements of paragraph 4 of Article 19 of this Law, the accuracy of submitted information and approval of financial reporting by the annual meeting of the bank's shareholders and at the request of the authorized body shall place on the corporate Internet-resource of the bank other reporting in accordance with the list and terms, established by the regulatory legal act of the authorized body.

The banks shall publish quarterly the balance sheet, profit and loss report, meeting the international financial reporting standards, in accordance with the procedure and terms, established by the authorized body, without their audit confirmation.

Bank holding companies shall publish their annual consolidated financial statements and, in the absence of a subsidiary (an affiliated) organization (s) –the non-consolidated financial statements and the audit report in accordance with the procedure and terms, established by the regulatory legal act of the authorized body.

The requirements of this Article shall not apply to non-residents of the Republic of Kazakhstan that are a bank holding company.

2. A branch of a non-resident bank of the Republic of Kazakhstan shall publish, in accordance with the procedure and terms, established by the regulatory legal act of the authorized body:

annual statements according to the accounting data of a branch of a non-resident bank of the Republic of Kazakhstan;

annual consolidated financial statements of a non-resident bank of the Republic of Kazakhstan, and in the absence of a subsidiary (subsidiaries) organization (organizations) - non-consolidated financial statements of a non-resident bank of the Republic of Kazakhstan, an audit report after confirmation by an audit organization the reliability of the information presented in it and approval by a non-resident bank of the Republic of Kazakhstan.

The branch of a non-resident bank of the Republic of Kazakhstan, at the request of the authorized body, shall post other reports on the Internet resource of a branch of a non-resident bank of the Republic of Kazakhstan in accordance with the list and terms established by the regulatory legal act of the authorized body.

The branch of a non-resident bank of the Republic of Kazakhstan shall publish quarterly a statement of assets and liabilities, a statement of income and expenses in accordance with international financial reporting standards, in the manner and within the time limits

established by the regulatory legal act of the authorized body, without their audit confirmation

Footnote. Article 55 – as amended by the Law of the Republic of Kazakhstan dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).

#### **Article 56. Recording and keeping of documents**

1. Banks shall be required to ensure strict control and recording of the documents used in preparing the accounting statements.

2. The list of the basic documents shall be kept, and the document retention period shall be defined by the authorized body.

Footnote. Article 56 is amended by the Law of the Republic of Kazakhstan dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004).

#### **Chapter 6. An audit of banks and their affiliates**

Footnote. The title of the chapter is in the wording by the Law of the Republic of Kazakhstan dated 2 March, 2001 No 162 (see Art. 2).

#### **Article 57. An audit of banks and their affiliates**

1. The audit of the bank shall be conducted by an audit organization authorized to conduct an audit in accordance with the legislation on audit activity and complying with the requirements of paragraph 4 of Article 19 of this Law.

1-1. Conducting an audit at the end of the financial year shall be mandatory for banks (with the exception of a bank that has been deprived of a license to conduct all banking operations or is in the process of forced liquidation), organizations in which the bank is a major participant, bank holding companies, copies of the report on which and the recommendations of the audit organization must be submitted by banks, bank holdings within thirty calendar days from the date of receipt of these documents or their submission to banks, bank holdings.

The consolidated annual financial statements of the bank and bank holding company shall be certified by an audit organization eligible to audit banks.

The audit of a bank holding and a bank in which the bank holding has a major participation shall be carried out by the same audit organization. Audit of organizations - residents of the Republic of Kazakhstan, in which the bank is a major participant, shall be carried out by the same audit organization.

1-2. Is excluded by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication).

1-3. A bank holding company that is a non-resident of the Republic of Kazakhstan shall submit to the authorized body a copy of the audit report and recommendations of the audit organization in the Kazakh or Russian languages.

2. (Is excluded by the Law of the Republic of Kazakhstan dated 5 May, 2006 No 139 (the order of enforcement see Article 2 of the Law No 139)).

3. Audit of banks shall be carried out in order to establish:

timeliness, completeness and accuracy of the accounting and reporting, reflecting the performed banking transactions;

compliance of the conducted banking transactions with the requirements of this Law and the legislation of the Republic of Kazakhstan;

compliance of the conducted banking transactions with the general conditions of their execution, and compliance of the order of the banking transactions with the internal rules of the bank.

4. The results of the audit and its findings shall be recorded in the report of the audit organization and submitted to the board of directors and the board of the bank, if necessary (the bank's decision), to other legal entities, incorporated in the banking conglomerate.

An audit report of financial statements of a bank or other legal entities that are part of a banking conglomerate shall not constitute a commercial secret.

5. Excluded by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

6. In case of non-elimination by the bank, a bank holding company, organization in which the bank and (or) a bank holding company are major participants of deficiencies that affect the financial situation of the bank or a banking conglomerate, specified in the audit report within the period determined by the authorized body, the authorized body until elimination of deficiencies shall have the right to apply:

to the bank- the measures on improving financial situation and (or) minimizing the risks provided by Article 46 of this Law;

to the bank holding company, the organization in which the bank and (or) a bank holding company are major participants, – the compulsory measures of supervisory response provided by paragraph 2 of Article 47-1 of this Law.

In case of non-elimination by the bank holding company of deficiencies that affect the financial situation of the bank or a banking conglomerate, specified in the audit report, within one year from the date of receipt of this report by these persons, the authorized body until elimination of deficiencies shall have the right to apply to the bank holding the compulsory measures of supervisory response provided by paragraph 3 of Article 47-1 of this Law.

7. If there is a deviation in opinions and conclusions on the financial reporting and (or) other information related to the financial reporting in terms of recognition of assets, liabilities and contingent liabilities of banks, bank holding companies and organizations in which the bank and (or) a bank holding company are major participants set forth in the audit report from the results of the audit conducted by the authorized body, the authorized body shall have the right to require from the audit organization explanations of the reasons for such deviation.

7-1. Provisions of paragraphs 1, 1-1, 1-3, 3, 4, 6 and 7 of this Article shall not be applicable to the branches of non-resident banks of the Republic of Kazakhstan.

The branch of a non-resident bank of the Republic of Kazakhstan shall be obliged to submit to the authorized body a copy of the audit report of the financial statements of a non-resident bank of the Republic of Kazakhstan at the end of the financial year and recommendations of the audit organization in Kazakh or Russian within ten working days after they are submitted by an audit organization to a non-resident bank of the Republic of Kazakhstan.

8. The authorized body in case of detection of risks and deficiencies in the bank's activity may require from it conducting audit of other information in relation to assessment of the risk management and internal control system, including in relation to strategy and business model, assessment of the corporate management system, assessment of the risks management system of information technology, assessment of effectiveness of information security system and the effectiveness of internal control system in the sphere of combating legalization (laundering) of incomes obtained in a criminal way and financing of terrorism (hereinafter – audit of other information) with indication of the list of issues which are subject to check, audited period and term of submission by the audit organization of the audit opinion on the audit of other information to the authorized body.

Conducting audit of other information at the request of the authorized body shall be obligatory for banks.

The bank shall conduct audit of other information not more than once a year, on one issue the audit of other information shall be conducted not more often than once in three years, except for the case provided by paragraph 10 of this Article.

The list of issues subject to check in the framework of audit of other information, requirements to the contents, terms of submission by an audit organization of an audit opinion for the audit of other information, requirements for the auditors in the composition of an audit organization, attracted to the audit of other information, shall be established by regulatory legal acts of the authorized body in agreement with the authorized state body, carrying out regulation in the field of audit activity and control over the activity of audit and professional audit organizations.

The check plan for the audit of other information with description of the expected directions, scope, nature of the audit, features of the methods and standards used in the audit shall be subject to prior approval by the audit organization with the authorized body.

The audit opinion on the audit of other information shall be submitted to the authorized body by the audit organization and shall not be subject to publication.

The results of the audit of other information may be taken into account by the authorized body when applying supervisory response measures.

9. In order to carry out an audit or audit of other information, a bank, an organization in which the bank is a major participant, a banking holding company shall engage an audit

organization that meets the minimum requirements for audit organizations that conduct a mandatory audit of financial organizations, developed by the central executive body that regulates audit activities and state control in the field of audit activities and activities of professional organizations, in agreement with the authorized body.

A bank, an organization in which the bank is a major participant, a bank holding not later than ten working days after the conclusion of an agreement for an audit or audit of other information shall notify the authorized body of the choice of an audit organization. In the event of an audit of other information, the bank has the right to petition the authorized body to conduct an audit of other information by an organization that is not an audit organization, in a manner other than an audit.

The petition of the bank shall be considered by the authorized body within five working days.

The requirements for the procedure of conducting an audit of other information, established by this Article, shall apply to the procedure for conducting an audit of other information in a different way than the audit.

The authorized body shall have the right to provide the audit organization, subject to confidentiality requirements, with information and comments on the results of inspections of the persons specified in part one of paragraph 1-1 of this Article, and other information related to the activities of the bank, an organization in which the bank is a major participant, a bank holding company, including those based on a reasoned judgment of the authorized body, including information constituting a banking and (or) commercial secret, without the consent of the persons specified in part one of paragraph 1-1 of this Article.

The audit organization shall conduct a mandatory assessment and analysis of information sent by the authorized body in accordance with part five of this paragraph. The results of the conducted assessment and analysis shall be used by the audit organization in expressing opinions and conclusions contained in the audit report or audit opinion on the audit of other information.

10. In case of recognition by the court of an audit report and (or) audit conclusion on the audit of other information as invalid, the bank, a bank holding company, organization in which the bank and (or) a bank holding company are major participants, shall be obliged to conduct audit and (or) audit of other information repeatedly.

11. The authorized body shall have the right to request from the audit organization information, including data, constituting commercial secret, including on the list of clients. Information on the clients shall be provided with the consent of the clients of the audit organization.

**Footnote.** Article 57 as amended by the Laws of the Republic of Kazakhstan dated 11 July , 1997 No 154 and dated 29 June, 1998 No 236; dated 2 March, 2001 No 162 (see Art. 2); dated 10 July 2003 No 483 (shall be enforced from 1 January 2004); dated 23 December, 2005 No 107 (the order of enforcement see Article 2 of the Law No 107); dated 5 May, 2006

No 139 (the order of enforcement see Article 2 of the Law of the Republic of Kazakhstan No 139); dated 12 January, 2007 No 222 (shall be enforced upon expiry of six months after the date of its official publication); dated 23.10.2008 No 72 -IV (the order of enforcement see Article 2); dated 20.02. 2009 No 138 -IV (the order of enforcement see Article 2); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (introduction into force see Article 2); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

#### **Article 58. Licensing of audit activities related to examination of banking activity**

(Article is excluded by the Law of the Republic of Kazakhstan dated 5 May, 2006 No 139 (the order of enforcement see Article 2 of the Law No 139))

#### **Article 59. Recognition of a report on auditing the banking activity invalid by an audit organization (auditor). Grounds for revocation, suspension of a license to conduct the audit of the banking activities**

(Article is excluded by the Law of the Republic of Kazakhstan dated 5 May, 2006 No 139 (the order of enforcement see Article 2 of the Law No 139))

### **Chapter 6-1. Restructuring of a bank**

Footnote. The Law is supplemented by Chapter 6-1 in accordance with the Law of the Republic of Kazakhstan dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009).

#### **Article 59-1. The definition of bank restructuring**

The restructuring of the bank shall mean a range of administrative, legal, financial, organizational, technical and other measures and procedures to be implemented by the bank based on the bank's restructuring plan (hereinafter - the restructuring plan) for recovery of its financial condition and improvement of its work.

The provisions of this Chapter shall apply to the restructuring of the organization, included in the banking conglomerate as a parent organization and which is not a bank.

The provisions of this chapter shall not apply to the restructuring of the bank's assets and (or) the obligations at the request of the authorized body.

Footnote. Article 59-1 as amended by the Law of the Republic of Kazakhstan dated 01.03.2011 No 414 -IV (shall be enforced from 01.01.2010).

#### **Article 59-2. The grounds and principles for restructuring of a bank**

Footnote. The title of Article 59-2 as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

Restructuring of the bank may be carried out in connection with inability of the bank to fulfill the requirements of individual creditors for obligations due to the lack or insufficiency of the money of the bank.



Restructuring of the bank shall be based on the following principles:

1) observance of the rights and interests of depositors and creditors of the bank in accordance with the reverse order of satisfaction of claims provided by Article 74-2 of this Law;

2) equal observance of the rights and interests of depositors and creditors, being in the same queue of satisfaction of claims provided by Article 74-2 of this Law.

**Footnote. Article 59-2 as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).**

### **Article 59-3. General terms and conditions of the bank's restructuring**

1. After arising of the grounds for the restructuring, referred to in Article 59-2 of this Law, the bank shall have the right to hold a meeting of the board of directors to take a decision on the restructuring of the bank.

2. No later than the next working day from the date of the decision made by the board of directors, specified in paragraph 1 of this Article, the bank shall send the board's decision on the restructuring of the bank to the authorized body.

3. Within seven calendar days after the receipt of the decision of the board of directors about the bank's restructuring, the authorized body shall conclude a written agreement with the bank on the restructuring of the bank.

4. The bank shall submit the draft restructuring plan to the authorized body. If there are comments and suggestions, the authorized body shall be entitled to require the bank to finalize the draft restructuring plan. The bank shall be obliged to take into account the comments and suggestions of the authorized body and re-submit the revised draft restructuring plan to the authorized body.

5. A bank shall apply to the court for restructuring in the order, prescribed by the civil procedure legislation of the Republic of Kazakhstan. Since the entry into force of the court decision on the bank's restructuring and its period, the restrictions provided by the civil procedural legislation of the Republic of Kazakhstan shall be applied.

6. Within seven calendar days from the date of enforcement of the court decision on the restructuring, the bank shall inform depositors, creditors and other clients about the restructuring through publishing the appropriate announcement in at least two periodicals that are circulating throughout the territory of the Republic of Kazakhstan, in the Kazakh and Russian languages.

The bank shall send the copies of the enforced court decision on restructuring to the banks - correspondents not later than the day following the date of its receipt.

7. From the moment of enforcement of the court decision on the bank's restructuring the bank shall have the right:

1) to suspend the execution of sale and purchase contracts, exchange, gift or other transactions on alienation of the bank's property, conclusion of loan agreements and other financing, entailing credit risks;



2) to suspend wholly or partially fulfillment of the bank's obligations.

8. Within the timeframes, stipulated by a court decision on the restructuring, the bank shall convene a meeting of creditors of the bank, to which the obligations to be restructured in order to conduct negotiations with them and obtain the approval of the restructuring plan.

In order to obtain the approval of the restructuring plan, the consent of the creditors shall be required, possessing not less than two -thirds of the volume of the bank's liabilities to creditors, to whom the obligations shall be restructured.

The restructuring of the bank shall be carried out in respect of all the bank's liabilities to creditors that are to be restructured in accordance with the restructuring plan, if the restructuring plan is approved by the bank's creditors in the order, provided in this paragraph.

9. Not later than the next working day from the date of the creditors' approval of the restructuring plan, the bank shall send the restructuring plan, approved by the creditors to the authorized body or notify the authorized body of the impossibility of the bank's restructuring if the approval of the bank's creditors is not obtained in the order, established by paragraph 8 of this Article.

The authorized body shall be entitled to require finalization of the restructuring plan if the conditions of the restructuring plan differ from the conditions of the draft restructuring plan that was previously submitted by the bank to the authorized body.

The bank shall be obliged to take into account the comments and suggestions of the authorized body and re-submit the revised restructuring plan, approved by the bank's creditors , to the authorized body in the order, established by paragraph 8 of this Article.

10. After fulfillment of the requirements, established in paragraph 9 of this Article, the bank shall submit the restructuring plan to the court for approval.

11. The restructuring plan shall have to contain the following information:

the order and duration of the restructuring;

the list of the restructured assets and liabilities;

the actions, carried out in the framework of the restructuring;

the expected financial results of the restructuring of assets and liabilities;

the undertaken restrictions on the activities.

The restructuring plan of the bank that is a participant of the banking conglomerate, in addition to the said information, shall contain the expected results of the effect on other members of the banking conglomerate, entailed by the restructuring of the bank.

12. Restructuring shall be terminated in the order and under the conditions, provided by the civil procedural legislation of the Republic of Kazakhstan.

13. In case of termination of restructuring of the bank in connection with implementation of measures, provided by the restructuring plan, the obligations of the bank included in the restructuring plan, shall be considered executed, enforcement proceedings by court decisions, arbitration on such obligations shall be terminated.

13-1. A copy of an enforced court decision to terminate the restructuring shall be sent by the banks to the banks- correspondents not later than the day following the date of its receipt.

14. In accordance with the restructuring plan and a written agreement, the bank shall submit information on the restructuring of the bank to the authorized body, including about the implementation of the activities, provided by the restructuring plan.

15. The authorized body shall control the implementation of measures on the bank's restructuring plan.

During the restructuring of the bank, the authorized body shall have the right to apply to the bank and (or) its major participants, a bank holding company, the persons possessing the characteristics of a major participant of the bank or a bank holding company, the supervisory response measures provided by this Law.

16. During the restructuring, the bank may not increase the amount of participation (in absolute terms) in the organizations, except for the cases, provided in the bank's restructuring plan, approved by the court.

Footnote. Article 59-3 as amended by the Laws of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 03.07.2013 № 125-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 08.04.2016 № 489-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

## **Section II. The terms of changing of the legal status and particularities of termination of the bank's activities and bank holding companies**

### **Chapter 7. Voluntary reorganization of banks and bank holding companies**

Footnote. The titles of the section and chapter are in the wording by the Law of the Republic of Kazakhstan, dated 11.07.1997 No 154, as amended by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication).

#### **Article 60. General terms and conditions of a voluntary reorganization of banks (bank holding companies)**

Footnote. The title as amended by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication).

1. Voluntary reorganization (merger, accession, division, separation, transformation, conversion) of banks (bank holding companies) may be carried out by the decision of general meeting of shareholders (participants) with the permission of the authorized body.

The procedure for issuance of a permit for voluntary reorganization of a bank (bank holding company) or refusal to issue such a permit shall be determined by a regulatory legal act of the authorized body.

1-1. The procedure for reorganization of the bank in the form of conversion into an Islamic bank shall be established by Chapter 4-2 of this Law.

2. The grounds for filing a petition for permission to conduct a voluntary reorganization of the bank (bank holding company) shall be the presence of the decision of the general meeting of the shareholders (participants) of the bank (bank holding company).

3. An application for a permit of the authorized body to conduct a voluntary reorganization of the bank (bank holding company) shall be attached with the following documents:

a) the decision of the supreme body of the bank (bank holding company) about its voluntary reorganization;

b) the documents that describe the expected conditions, forms, terms and timing of the voluntary reorganization of the bank (bank holding company);

c) the financial forecast of the consequences of the voluntary reorganization, including the balance of payments of the bank (the bank holding company) after its voluntary reorganization and/or legal entities, established after the voluntary reorganization of the bank (the bank holding company).

The agreement on affiliation, signed by the chief executive officers of executive bodies or reorganized banks shall be attached to the application on receipt of permission of the authorized body to conduct voluntary reorganization in the form of affiliation, except the documents, mentioned in the first part of this Article.

4. An application for permission to conduct the voluntary reorganization of the bank (the bank holding company) shall be considered by the authorized body within two months from the date of its acceptance.

5. The being reorganized bank (bank holding company) within two weeks from the date of receipt of the permission of the authorized body to conduct the reorganization shall inform its depositors, clients, correspondents and lenders through publication of the corresponding announcement in the mass media, including on the website of the bank.

6. The state registration or re-registration of the legal entities, formed after reorganization shall be carried out in accordance with the legislative act of the Republic of Kazakhstan.

7. The requirements of this Article shall not apply to the non-residents of the Republic of Kazakhstan that are the bank holding company, the entity, having the characteristics of a bank holding company, if any of the following conditions are observed:

the presence of an individual credit rating not lower than A rating of one of the rating agencies, the list of which shall be established by the authorized body, as well as a written confirmation from the Financial Supervisory Authority of the country of origin of the bank holding company, the entity, having the characteristics of a bank holding company, about the

fact that the entities–non-residents of the Republic of Kazakhstan shall be subject to the consolidated supervision;

existence of an agreement between the authorized body and the relevant supervisory body of a foreign state for the information exchange, as well as the minimum required rating of one of the rating agencies. Minimum rating and the list of the rating agencies are established by the regulatory legal act of the authorized body.

**Footnote. Article 60 as amended by the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 26.12.2012 No 61 -V (shall be enforced from 04.02.2012); dated 19.03.2014 № 179-V (shall be enforced from the date of its first official publication); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016).**

Article 60-1. Features of voluntary reorganization of banks

**Footnote. The title of Article 60-1 is in the wording of the Law of the Republic of Kazakhstan dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication).**

1. Upon affiliation of a bank to another bank, the shares of the affiliated bank shall be purchased by the bank to which the affiliation is carried out by placing (sale) among the shareholders of the affiliated bank its shares in the amount, determined on the basis of the ratio of exchange of shares, approved at the joint general meeting of shareholders of the reorganized banks after its prior approval by the board of directors of each bank. At the same time the provisions of Article 83 of the Law of the Republic of Kazakhstan "On Joint-Stock Companies" relating to the sale price of shares of affiliated companies and price of placement (sale) of shares to which the affiliation is carried out (including provisions for determination, consideration and approval of these prices by the bodies of the company) shall not be applied.

2. The agreement on affiliation, signed by the chief executive officers of executive bodies on the basis of decision, adopted at joint general meeting of shareholders of the reorganized banks shall be attached to the application on receipt of permission of the authorized body to conduct voluntary reorganization in the form of affiliation, except the documents, mentioned in paragraph 3 of Article 60 of this Article.

3. After the transfer of obligations of the affiliated bank before the creditors and (or) depositors to the bank, to which the affiliation is carried out, the fulfillment of obligations before such creditors and (or) depositors, including maintenance of the transferred bank accounts of depositors, shall be carried out by the bank, to which the affiliation is carried out.

4. The affiliated bank shall have the right to transfer the bank, to which the affiliation is carried out, the obligations before the depositors with their bank accounts opened in the affiliated bank (saving individual identification codes) without the conclusion of additional agreements to the contracts for banking services, the history of movement of money on them, the dossier, generated when opening and maintaining bank accounts, outstanding

requirements, including the orders of authorized state bodies entitled to suspension of expenditure transactions on bank account, as well as decisions (resolutions) of the authorized bodies or officials having the right to seize the client's money, and encumbrances on the depositors' bank accounts available in the affiliated bank at the moment of transfer of obligations.

5. The bank to which the affiliation is carried out, at the required time within the duration of the reorganization procedures in order to ensure the preservation of details of bank accounts of the depositors (including individual identification codes, assigned by the affiliated bank) shall have the right to follow the instructions on bank accounts of the depositors, transferred to the bank, to which affiliation is carried out, with individual identification codes of depositors, indicated in them, assigned by the affiliated bank, as well as with the relevant details of the affiliated bank, used in making payments and money transfers. Execution of such instructions shall be conducted using the correspondent account of the affiliated bank. The bank to which the affiliation is carried out, shall have the right to use the banking information system of the affiliated bank.

6. Collection and processing of personal data of the clients of the bank, rights (claims) and obligations under which are transferred within the framework of the reorganization procedure, shall be carried out by the bank to which the affiliation is carried out, without the consent of the personal data subjects or their legal representatives.

7. Within the required period in the framework of conducting reorganization procedures of the bank, the bank to which the affiliation is carried out, shall assign individual identification codes to the bank accounts of the depositors in compliance with the requirements of the legislation of the Republic of Kazakhstan and shall notify in the order, provided by sub-paragraph 1) of Article 24 of the Code of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget" (Tax Code), the authorized state body, carrying out management in the field of ensuring tax revenues and other obligatory payments to the budget, on changing of individual identification codes on bank accounts of the taxpayers, provided by subparagraph 1) of part one of Article 24 of the Code of the Republic of Kazakhstan "About Taxes and Other Obligatory Payments to the Budget" (Tax Code).

After changing the individual identification codes of bank accounts of the depositors, to which there are outstanding claims, including accepted orders of the authorized state bodies entitled to suspension of expenditure transactions on bank account, as well as the decisions (resolutions) of the authorized bodies or officials entitled to seizure the client's money, encumbrance on the bank accounts of the depositors:

the bank, to which affiliation is carried out, shall notify the person (body), sent to the bank account of the depositor the claims (including regulations of the authorized state bodies entitled to suspension expenditure transactions on bank account, as well as the decisions (

resolutions) of the authorized bodies or officials entitled to seize the client's money) or imposed (imposed) encumbrances on the depositors' bank accounts, on changing the details of the depositor's bank account, including the individual identification code;

previously charged to the bank account of the depositor, transferred to the bank, to which the affiliation is carried out, the outstanding claims shall be executed by the bank, to which the affiliation is carried out, from the bank accounts of the depositors, opened by such bank, with correction of details of the affiliated bank (name, bank identification code, business identification number) for the relevant details of the bank to which the affiliation is carried out, as well as an individual identification code of the depositor on the relevant individual identification code of the depositor, assigned to a bank account in accordance with part one of this paragraph;

previously charged to the bank account of the depositor, transferred to the bank, to which the affiliation is carried out, the outstanding orders of the authorized state bodies entitled to suspension of expenditure transactions on the bank account, as well as the decisions (resolutions) of the authorized bodies or officials entitled to seize the client's money, shall be executed by the bank to which the affiliation is carried out, from bank accounts of the depositors, opened by the bank, to which the affiliation is carried out, with preservation of calendar sequence of their receipt in the affiliated bank and in the order provided by the Civil code of the Republic of Kazakhstan.

Servicing of bank accounts of the depositors shall be performed by the bank to which the affiliation is carried out, in accordance with the requirements of the legislation of the Republic of Kazakhstan and the conditions of banking service contracts, obligations under which have been transferred to this bank.

**Footnote.** The Law is supplemented by Article 60-1 in accordance with the Law of the Republic of Kazakhstan dated 19.03.2014 № 179-V (shall be enforced from the date of its first official publication); as amended by the laws of the Republic of Kazakhstan dated 27.04.2015 № 311-V (shall be enforced from 01.09.2014); dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 25.12.2017 № 122-VI (shall be enforced from 01.01.2018); dated 02.07.2018 № 168-VI (shall be enforced from 01.06.2018).

#### **Article 61. Refusal to issue a permit for a voluntary reorganization of a bank and a bank holding company**

**Footnote.** Article 61 as amended by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication).

Refusal to issue a permit of the authorized body for voluntary reorganization of the bank (the bank holding company) shall be carried out under one of the following grounds:

a) absence of the relevant decisions of the supreme bodies of the being reorganized banks (bank holding companies);

- b) violation of interests of depositors due to the proposed reorganization;
- c) violation of prudential standards and other mandatory standards and limits due to the proposed reorganization;
- d) violation as a result of the proposed reorganization of the requirements of the legislation of the Republic of Kazakhstan in the field of competition protection.

Footnote. Article 61 as amended by the Law of the Republic of Kazakhstan dated 11 July, 1997 No 154; dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 29.10.2015 № 376-V (shall be enforced from 01.01.2016).

#### **Chapter 7-1. Measures aimed at protection of the consumers of banking services**

Footnote. The Law is supplemented by Chapter 7-1 in accordance with the Law of the Republic of Kazakhstan dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009).

##### **Article 61-1. Mandatory deposit guarantee**

1. In order to protect the interests of depositors of the second tier banks of the Republic of Kazakhstan, a system of mandatory deposit guarantee shall be established.

Mandatory deposit guarantee shall be carried out by a specially created non-profit organization.

The legal grounds of functioning of the mandatory deposit guarantee system, the rights and duties of its participants shall be defined by the legislation of the Republic of Kazakhstan.

2. Participation in the system of mandatory deposit guarantee shall be compulsory for all second tier banks, licensed to take deposits, open and maintain the bank accounts of individuals, except for the Islamic banks.

Article Article 61-2. Transaction on simultaneous transfer of assets and liabilities of the bank to another (other) bank (banks)

1. In order to protect the rights of creditors and depositors of the bank, a transaction on simultaneous transfer of assets and obligations of the bank in part or in full to another (other) bank (banks) (hereinafter – the bank-acquirer) shall be allowed in agreement with the authorized body.

2. The procedure for conducting operation, provided by this Article, types of assets and liabilities subject to transfer when conducting the specified operation, as well as the procedure for approval by the authorized body of this transaction shall be determined by the regulatory legal act of the authorized body.

The transaction on simultaneous transfer of assets and liabilities between the parent bank and the subsidiary bank shall be carried out in accordance with this Article, taking into account the features provided by Article 61-4 of this Law.

3. The bank shall publish an announcement on the transfer of assets and (or) liabilities of the bank in part or in full. The announcement shall be published in periodicals distributed throughout the Republic of Kazakhstan, on the Internet-resource of the bank in the Kazakh



and Russian languages after approval by the authorized body of the transaction specified in paragraph 1 of this Article.

4. Transfer of liabilities of the bank in the manner provided by this Article shall be carried out with the consent of the depositors and (or) creditors of the bank, except for the cases provided by part four of this paragraph.

Absence of a written objection from the depositors and (or) creditors of the bank within ten calendar days from the date of publication of the announcement during the transaction on simultaneous transfer of assets and liabilities by the bank to the bank-acquirer shall be considered as the consent of the depositor and (or) the creditor to transfer liabilities.

If there are objections of depositors against the transfer of liabilities upon conducting a transaction, provided by Article 61-4 of this Law, such depositor shall be obliged, not later than ten calendar days, to apply to the bank with a written refusal to transfer liabilities by the bank, except for the cases provided by part four of this paragraph. The depositor shall attach to the refusal an instruction on the issuance of a deposit in cash or on the transfer of its amount to another bank, issued in accordance with the requirements of the legislation of the Republic of Kazakhstan and the conditions of the banking service contract.

Upon conducting a transaction provided by Article 61-4 of this Law, the liabilities of the bank to the depositors, whose bank accounts have outstanding requirements, including the orders of authorized state bodies entitled to suspend expenditure transactions on bank account, and the decisions (resolutions) of the authorized bodies or officials entitled to seize the client's money, encumbrance on bank accounts of the depositors, shall be transferred to the bank-acquirer, regardless of the objections of the depositors for the transfer of liabilities.

5. After the transfer of the bank's liabilities to the creditors and (or) depositors to the bank - acquirer, execution of liabilities to such creditors and (or) depositors, including the maintenance of the transferred current and savings accounts of depositors, shall be carried out by the Bank- acquirer.

6. The bank shall have the right to transfer to the bank-acquirer the liabilities to the depositors with their bank accounts in the bank (with preservation of individual identification codes) without conclusion of additional agreements to the bank service contracts, history of money movement on them, dossier, formed at opening and maintaining bank accounts, unfulfilled requirements, including orders of the authorized state bodies having the right of suspension expenditure operations on the bank account, as well as decisions (resolutions) of authorized bodies or officials, having the right to seize the client's money, and encumbrances on bank accounts of the depositors available in the bank at the time of transfer of liabilities.

7. During the transition period, established by the regulatory legal act of the authorized body, in order to ensure preservation of details of the depositors' bank accounts (including individual identification codes assigned by the bank), the bank-acquirer shall have the right to execute instructions on bank accounts of the depositors, transferred to the bank-acquirer, with specified therein individual identification codes of the depositors, assigned by the bank, as

well as the relevant details of the bank, used in carrying out payments and money transfers. The features of execution of such instructions using the correspondent account of the bank shall be determined by agreement of the bank and the bank- acquirer.

8. During the transition period, the bank-acquirer shall assign individual identification codes to the depositors' bank accounts in compliance with the requirements of the legislation of the Republic of Kazakhstan and shall notify in the manner provided by subparagraph 1) of part one of Article 24 of the Code of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget" (Tax Code), the authorized state body, carrying out management in the sphere of ensuring the receipt of taxes and other obligatory payments to the budget, about the change of individual identification codes on bank accounts of the taxpayers provided by subparagraph 1) of part one of Article 24 of the Code of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget" (Tax Code).

After changing the personal identification codes of bank accounts of the depositors, to which there are outstanding requirements, including accepted to execution orders of authorized state bodies entitled to suspension of expenditure transactions on bank account, as well as the decisions (resolutions) of the authorized bodies or officials, having the right to seize the client's money or imposed encumbrances on the depositors' bank accounts:

the bank-acquirer shall notify the person (body) that has sent (directed) claims to the depositor's bank account (including the orders of the authorized state bodies having the right to suspend expenditure operations on the bank account, as well as decisions (resolutions) of the authorized bodies or officials having the right to seize the client's money) or imposed (imposed) encumbrances on the depositors' bank accounts, on changes in the details of the depositor's bank account, including the individual identification code;

previously submitted to the depositor's bank account transferred to the bank-acquirer, the unfulfilled requirements shall be executed by the bank- acquirer from the depositors' bank accounts opened by the bank-acquirer, with correction of bank details (name, bank identification code, business identification number) to the relevant details of the bank-acquirer, as well as the individual identification code of the depositor to the relevant individual identification code of the depositor assigned to the bank account in accordance with part one of this paragraph;

previously submitted to the bank account of the depositor, transferred to the bank-acquirer, the unfulfilled orders of authorized state bodies, having the right to suspend expenditure operations on the bank account, as well as decisions (resolutions) of the authorized bodies or officials, having the right to seize the client's money, shall be executed by the bank-acquirer from bank accounts of the depositors, opened by the bank- acquirer, preserving the calendar priority for their receipt to the bank and in the manner, provided by the Civil code of the Republic of Kazakhstan.

Servicing of depositors' bank accounts shall be carried out by the bank-acquirer in accordance with the requirements of the legislation of the Republic of Kazakhstan and the

conditions of banking service contracts, liabilities under which have been transferred to this Bank.

9. is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

10. Transfer of the assets of the bank in the form of rights (claims) does not require the consent of the debtor (debtors), unless otherwise provided by the agreement.

In order to notify the debtor (debtors), the bank shall publish an announcement on the transfer of the rights (claims) of the bank in part or in full, specified in paragraph 3 of this Article. If the debtor fulfills his/her obligations in part or in full to the bank, that transferred the rights (claims), this performance shall be deemed fulfilled to the appropriate creditor.

11. Transfer of assets and liabilities of the bank shall be carried out by concluding a contract on simultaneous transfer of assets and liabilities with attachment of the transfer act to the contract.

The transfer act must contain information about the transferred assets, rights, ensuring the performance of obligations under the transferred assets, and liabilities.

The provisions of the Civil code of the Republic of Kazakhstan on the change of persons in the obligation shall apply to the contract on simultaneous transfer of assets and liabilities.

12. Transfer of the assets of the bank in the form of shares or participation stakes in the authorized capital of legal entities, branches and representative offices to the bank-acquirer shall be conducted in accordance with the requirements of this Law and other legislative acts of the Republic of Kazakhstan, except for the case provided in Article 61-4 of this Law.

13. The bank-acquirer shall have the right to use banking information system of the bank, that transferred assets and liabilities.

14. Collection and processing of personal data of the bank's clients, rights (claims) and liabilities under which are transferred during the transaction, specified in paragraph 1 of this Article, shall be carried out by the bank-acquirer without the consent of the subjects of personal data or their legal representatives.

15. Transfer of assets and liabilities of the bank, being in the process of restructuring shall be carried out within the framework of the restructuring plan in accordance with the provisions of Chapter 6-1 of this Law.

Footnote. Article 61-2 as amended by the Law of the Republic of Kazakhstan dated 27.04.2015 № 311-V (shall be enforced from 01.01.2015); as amended by the laws of the Republic of Kazakhstan dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication); dated 25.12.2017 № 122-VI (shall be enforced from 01.01.2018); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

Article 61-3. Peculiarities of transfer of assets and liabilities of the bank being in the conservation mode to the stabilization bank

Footnote. Article 61-3 is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

Article 61-4. Peculiarities of simultaneous transfer of assets and liabilities between a parent bank and a subsidiary bank

Footnote. The title of Article 61-4 is in the wording of the Law of the Republic of Kazakhstan dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after its first official publication).

1. Transaction on simultaneous transfer from a subsidiary bank to a parent bank of assets in part or in full and liabilities in full, except for liabilities related to placement of deposits and received loans of the national managing holding, and transfer from the parent bank to the subsidiary bank of dubious and hopeless assets in part or in full shall be carried out in agreement with the authorized body within the framework of one contract.

2. For the purposes of this Article, a subsidiary bank means a subsidiary bank in respect of which a restructuring has been carried out in accordance with this Law, transferring to the parent bank the assets in part or in full and liabilities in full, except for liabilities related to placement of deposits and received loans of the national managing holding, and accepting from the parent bank dubious and hopeless assets in part or in full.

3. Assignment of rights (claims) on the grounds and in the manner, determined by this Article does not require amendments and additions to the contracts concluded by the parent or subsidiary bank with individuals and legal entities, in terms of specifying a new creditor, pledge holder.

At assignment of rights (claims) on the grounds and in the manner, determined by this Article, the consent of the borrower, the pledge holder, the guarantor and other persons on assignment shall not be required. In this case, the identity of a new creditor is recognized as not having significant significance for the debtor.

4. Contract on simultaneous transfer of assets and liabilities (with attachment of the transfer act) shall be provided to the authorized registering body (organization) by the bank-acquirer in order to enter in the legal cadastre, as well as the registry of pledge of movable property, the system of registers of securities holders the information about a new creditor, who is at the same time a pledge holder, to whom the rights ensuring fulfillment of obligations under the transferred assets have been transferred.

Assignment of rights (claims) on the grounds and in the manner, determined in this Article is also the ground for transfer to a new creditor, who is at the same time a pledge holder, of rights to property in respect of which there are encumbrances, arrests, other restrictions in the disposal of property, registered by third parties or state bodies.

5. The bank- acquirer shall be recognized as a creditor (lender) for banking and other operations and types of activity, provided by Article 30 of this Law and shall have all the rights and obligations of the Bank to which the rights (claims) have been assigned from the date of conclusion of the contract on simultaneous transfer of assets and liabilities.

6. Transfer of assets of a subsidiary bank to a parent bank in the form of shares or participation stakes in the authorized capital of legal entities, branches and representative

offices does not require the parent bank to obtain additional permits, consents or notifications of the authorized body, which are provided by this Law and other laws of the Republic of Kazakhstan, except for the approval, specified in paragraph 1 of this Article.

7. After carrying out an operation, specified in paragraph 1 of this Article, the license for conducting banking and other operations and activity on the securities market shall terminate in connection with voluntary application of the subsidiary bank to the authorized body on termination of the license.

8. After the termination of the license for banking and other operations and activities on the securities market, a legal entity that was previously a subsidiary bank shall:

- have the right to retain the word "bank" in its name;

- have the right to collect and process personal data of clients of the parent bank, the rights (claims) and liabilities under which have been transferred during the operation, specified in this Article, without the consent of the subjects of personal data or their legal representatives;

- be recognized by the creditor (lender) on the transferred rights (claims) and retains the rights and obligations of the creditor (of the bank, lender) on the remaining rights (claims), established by the bank loan contracts;

- not be an organization, carrying out certain types of banking operations, and have the right to carry out banking operations in the order provided by point 9 of this Article.

9. During the transition period after termination of the license, a legal entity that was previously a subsidiary bank shall have the right to carry out the following types of banking operations without a license of the authorized body:

- 1) transfer operations related to payments and money transfers made by the parent bank, including the use of the correspondent account of a subsidiary bank, on depositors' bank accounts, transferred to the parent bank;

- 2) opening and maintaining a correspondent account of the parent bank;

- 3) accepting deposits, opening and maintaining bank accounts of the national management holding, an organization specializing in improving the quality of credit portfolios of second-tier banks;

- 4) borrowing operations on the rights (claims), transferred to it and remained at it, established by contracts of a bank loan according to paragraph 8 of this Article.

10. The provisions of paragraphs 1, 3, 4, 5 and 6 of this Article shall apply to transaction on simultaneous transfer of assets and liabilities by a subsidiary bank that has previously performed the transaction, provided by this Article to a parent bank.

**Footnote. Chapter 7-1 is supplemented by Article 61-4 in accordance with the Law of the Republic of Kazakhstan 27.04.2015 № 311-V (shall be enforced from 01.01.2015); as amended by the Law of the Republic of Kazakhstan dated 27.02.2017 № 49-IV (shall be enforced upon expiry of ten calendar days after its first official publication).**

Article 61-5. Ensuring continuity of banking services

1. The bank or organization carrying out certain types of banking operations, shall ensure the work of a reserve center for information systems of the bank or organization carrying out certain types of banking operations, reserve communication channels to restore the activity of information system.

2. The bank or organization carrying out certain types of banking operations shall inform the clients about the planned introduction into operation of changes (updates) made to the hardware, software and other means that ensure operation of information system and affect availability of banking services to the clients in the manner and terms, established by internal rules of the bank or organization carrying out certain types of banking operations, or by a contract.

3. The bank or organization carrying out certain types of banking operations shall ensure a guaranteed level of continuity of services to the clients, which is established by internal rules of the bank or organization carrying out certain types of banking operations, and shall be subject to mandatory placement on the Internet resource of the bank or organization carrying out certain types of banking operations.

4. The requirements for security and continuity of information systems of banks and organizations carrying out certain types of banking operations shall be established by the authorized body.

5. In order to counteract the threats to information security, implement preventive measures and prevent threats to information security, a bank or an organization carrying out certain types of banking operations shall ensure availability of information security management system, which provides:

1) monitoring of information security activities and measures to identify and analyze threats, counteract attacks and investigate information security incidents;

2) collection, consolidation and storage of information about information security incidents, including information about violations, failures in information systems;

3) analysis of information about information security incidents, including information about violations, failures in information systems;

4) other requirements for information security, established by the regulatory legal act of the authorized body.

6. Banks shall provide information on availability of information security management systems and on compliance with the requirements for ensuring information security to the National coordination center for information security in the manner and terms determined by the regulatory legal act of the authorized body in agreement with the authorized body in the sphere of information security.

7. Banks and organizations carrying out certain types of banking operations shall ensure information security and provide information about information security incidents, including information about violations, failures in information system to the authorized body.

The requirements for ensuring information security of banks and organizations carrying out certain types of banking operations, the procedure and terms of providing information about information security incidents, including information about violations, failures in information systems, shall be determined by the regulatory legal act of the authorized body.

8. The authorized body in case of taking decision on the materiality of an information security incident, including information about violations, failures in information systems, in the presence of a threat to the stability of financial and (or) payment system of the Republic of Kazakhstan shall have the right to send information, including bank secrecy, to the National coordination center for information security.

**Footnote.** Chapter 7-1 is supplemented by Article 61-5 in accordance with the Law of the Republic of Kazakhstan dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); as amended by the Law of the Republic of Kazakhstan dated 28.12.2017 № 128-VI (shall be enforced upon expiry of ten calendar days after its first official publication).

#### **Chapter 7-2. Measures for ensuring financial stability and settlement of insolvent banks**

**Footnote.** It is supplemented by chapter 7-2 in accordance with the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

#### **Article 61-6. Classification of the bank into the category of banks with unstable financial situation, creating a threat to the interests of its depositors and creditors and (or) a threat to the stability of the financial system**

1. The authorized body shall classify the bank as a bank with unstable financial situation, creating a threat to the interests of its depositors and creditors and (or) a threat to the stability of the financial system (hereinafter – the bank with an unstable financial situation), in the presence of any of the following signs:

1) a decrease in the values of the adequacy ratios of equity capital and its size to the level below the minimum values established by the authorized body;

2) non-performance by the bank of monetary obligations and other claims of creditors of monetary character on obligations in connection with absence or insufficiency of money at the bank;

3) identification by the authorized body of facts (transactions), the reliable reflection of which in financial and other reporting of the bank will lead to violation by the bank of its own capital adequacy ratios and (or) non-performance of monetary obligations and other claims of creditors of monetary nature;

4) identification by the authorized body within the framework of carrying out functions on control and supervision of deficiencies and (or) risks in the activities of the bank, which may lead to creation of situation that threatens the stable functioning of the bank, and (or) interests of its depositors and (or) creditors, and (or) stability of the financial system.



For the purposes of applying subparagraphs 1) and 3) of the first part of this paragraph to branches of non-resident banks of the Republic of Kazakhstan, the equity capital adequacy ratio shall be understood to mean the adequacy ratio of assets accepted as a reserve under the financial statements of a branch of a non-resident bank of the Republic of Kazakhstan means reporting according to the accounting data of a branch of a non-resident bank of the Republic of Kazakhstan.

2. The decision of the authorized body to classify a bank as a bank with an unstable financial position shall be brought to the attention of the bank, the National Bank of the Republic of Kazakhstan and the organization that carries out obligatory guaranteeing of deposits within five working days from the date of its adoption and is not subject to distribution by the specified persons.

3. The authorized body in case of classifying the bank to the category of banks with an unstable financial situation, in addition to the supervisory response measures, provided by Article 45-1 of this Law, shall have the right to conduct an assessment (analysis) of financial and property status of the bank with its visit, including with involvement of appraisers, audit and other organizations.

From the date specified in the decision of the authorized body on classifying the bank as a bank with an unstable financial position:

1) the bank shall not be entitled to make decisions, as well as to execute earlier decisions on the distribution of profits, the payment of dividends, the fulfillment of any financial obligations to major participants and (or) bank holdings, as well as the payment of remuneration to the executive employees of the bank, except for the salary and cases established by law Republic of Kazakhstan;

2) shareholders who do not have the status of a major participant and (or) a bank holding company obtained in accordance with this Law shall not be entitled to participate in voting at the general meeting of shareholders of the bank. To hold a general meeting of shareholders of a bank classified as a bank with an unstable financial position, the quorum shall be met with the participation at the general meeting of shareholders of all shareholders (representatives of shareholders) having the status of a major participant in the bank or bank holding.

4. A bank classified to the category of banks with an unstable financial situation, and its major participants, a bank holding company shall be obliged to take measures on improving financial status of the bank, minimizing risks by bringing its activities in accordance with the legislation of the Republic of Kazakhstan and the requirements of the authorized body. A non-resident bank of the Republic of Kazakhstan, whose branch is classified as a branch of non-resident banks of the Republic of Kazakhstan with an unstable financial position, shall be obliged to take measures to improve the financial condition of a branch of a non-resident bank of the Republic of Kazakhstan, including an increase in the amount of assets accepted as

a reserve, provided for in part two of paragraph 6 of Article 42 of this Law, minimizing risks by bringing its activities in line with the legislation of the Republic of Kazakhstan and the requirements of the authorized body.

If the measures taken by the non-resident bank of the Republic of Kazakhstan, specified in part one of this paragraph, are insufficient, the non-resident bank of the Republic of Kazakhstan shall fulfill the obligations not fulfilled and (or) improperly fulfilled by the branch of a non-resident bank of the Republic of Kazakhstan in accordance with a written commitment previously submitted to the authorized body in accordance with subparagraph 12 ) of paragraph 2 of Article 13-1 of this Law, within the time limits established by the authorized body.

The measures, specified in part one of this paragraph, and the terms of their implementation for each paragraph, as well as responsible officials shall be determined in the plan of measures on improving financial situation, developed and submitted by the bank to the authorized body for approval. An action plan to improve the financial situation must be agreed with a major participant in the bank, a bank holding company, a non-resident bank of the Republic of Kazakhstan.

Terms of implementation of measures, specified in part one of this paragraph, and being of the bank in the category of banks with unstable financial situation shall not exceed twelve months and may be extended once by the authorized body for a period of not more than twelve months if there are facts of improvement in financial status of the bank after classifying it to the category of banks with an unstable financial situation.

If the authorized body approves the plan of measures on improving financial situation, the persons, specified in part one of this paragraph shall start its implementation, notifying the authorized body of the results of its execution within the terms, established by the plan.

In case of non-submission of the plan of measures on improving financial situation within the established term, its disapproval by the authorized body or non-execution, the authorized body shall apply to the bank with an unstable financial situation, its major participants, a bank holding one or more supervisory response measures provided by Article 45-1 of this Law.

The procedure and terms of submission of the plan of measures on improving financial situation and its approval by the authorized body, as well as the requirements for its content shall be established by the regulatory legal act of the authorized body.

5. The authorized body shall, within the term, established in paragraph 4 of this Article, exclude the bank from the category of banks with unstable financial situation in case of elimination of the signs, specified in paragraph 1 of this Article.

**Footnote. Article 61-6 as amended by the Law of the Republic of Kazakhstan dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 02.01.2021 № 399-VI ( shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).**

## **Article 61-7. Classification of the bank to the category of insolvent banks**

1. The authorized body shall classify the bank to the category of insolvent banks in case of non-elimination by the bank of signs of unstable financial situation of the bank after expiration of the term, specified in paragraph 4 of Article 61-6 of this Law.

2. The authorized body shall have the right to make a decision to classify a bank to the category of insolvent banks before the term, established by paragraph 4 of Article 61-6 of this Law on the following grounds:

1) performance by the bank, after classifying it to the category of banks with an unstable financial situation, of operations (transactions) that lead to further deterioration of financial status of the bank, including:

conclusion of transactions by the bank, as a result of which there is a significant deterioration in the quality of the bank's assets, including sale, replacement of assets, collateral for the worse for the bank and if the consequences of the replacement led (will lead) to losses of the bank;

conclusion by the bank of transactions on non-market conditions the list of which is established by the regulatory legal act of the authorized body, in which the bank incurs losses, as well as transactions with the persons, related with the bank by special relations, in violation of the requirements of Article 40 of this Law and (or) the restrictions, established by the authorized body, by applying supervisory response measures;

acceptance by the bank of obligations, which have entailed impossibility of performance by the bank of monetary obligations to other depositors and (or) other creditors in full or in part;

transfer of property (including for temporary use) free of charge or at a price significantly different for the worse for the bank from the price of similar property under comparable economic conditions, or without any reasons to the detriment of the interests of creditors;

2) violation of the bank's equity capital adequacy ratios in the form of their reduction to a level below one-third of the regulatory values, established by the regulatory legal act of the authorized body;

3) non-fulfillment by the bank within ten working days of monetary obligations and other claims of monetary nature to the depositors and creditors in connection of absence or insufficiency of money;

4) systematic (three or more times within twelve consecutive calendar months) improper performance of contractual obligations on payment and transfer operations;

5) non-performance by the bank of measures on improvement of financial status and (or) minimizing risks, provided by Article 46 of this Law.

3. The authorized body shall exclude the bank from the category of insolvent banks if, as a result of the taken measures on settlement, provided by Article 61-8 of this Law, the bank

has eliminated the grounds for classifying it to the category of insolvent banks, specified in paragraph 2 of this Article and the equity capital adequacy ratios are observed.

4. For the purposes of applying subparagraph 2) of paragraph 2 и of paragraph 3 of this Article to branches of non-resident banks of the Republic of Kazakhstan, the equity capital adequacy ratio shall be understood to mean the adequacy ratio of assets taken as a reserve.

**Footnote. Article 61-7 as amended by the Law of the Republic of Kazakhstan dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).**

#### **Article 61-8. Measures for settlement of an insolvent bank**

1. The settlement of an insolvent bank means adoption of measures, provided by this Article and aimed at improving the financial situation and (or) termination of the bank's activities.

The authorized body shall apply one or more measures on settlement of an insolvent bank, provided by this Article.

2. The measures on settlement of an insolvent bank, provided by paragraph 4 of this Article shall be applied in order to:

- 1) ensuring continuity of carrying out banking operations;
- 2) preventing occurrence and spread of systemic risks of the financial system;
- 3) minimization of expenses of the state budget for settlement of insolvent bank;
- 4) ensuring protection of rights and interests of depositors and creditors.

3. Application of measures on settlement of an insolvent bank shall be based on the following principles:

1) observance of the rights and interests of depositors and creditors of an insolvent bank in accordance with the priority of satisfaction of claims, provided by Article 74-2 of this Law;

2) equal observance of the rights and interests of depositors and creditors, being in the same queue of satisfaction of claims provided by Article 74-2 of this Law;

3) inadmissibility of deterioration of position of depositors and creditors of an insolvent bank in connection with application to it of measures on settlement of insolvent bank in comparison with position in case of compulsory liquidation of an insolvent bank;

4) choice of the least costly measure on settlement of an insolvent bank, provided by paragraph 4 of this Article.

4. The authorized body shall apply in case of classification of the bank to the category of insolvent banks one or more of the following measures to an insolvent bank:

- 1) forced restructuring of liabilities of an insolvent bank;
- 2) transfer of all or part of the assets and liabilities of an insolvent bank to another bank (other banks);
- 3) creation of a stabilization bank and transfer of all or part of the assets and liabilities of an insolvent bank to this stabilization bank;

4) deprivation of the license for carrying out all banking and other operations with the subsequent forced liquidation of an insolvent bank.

The authorized body in the event of classifying of a branch of a non-resident bank of the Republic of Kazakhstan as insolvent branches of non-resident banks of the Republic of Kazakhstan shall revoke its license to conduct all banking and other operations with subsequent forced termination of the insolvent of a branch of a non-resident bank of the Republic of Kazakhstan.

5. State participation in the settlement of an insolvent bank shall be carried out provided that:

1) an insolvent bank is a bank which forced liquidation carries systemic risks of the financial system;

2) provision of state support to an insolvent bank will allow to effectively apply the measures on settlement of an insolvent bank, provided by subparagraphs 1), 2) and 3) of paragraph 4 of this Article.

6. State participation in the settlement of an insolvent bank shall be carried out after covering losses at the expense of:

1) equity capital of an insolvent bank;

2) liabilities of an insolvent bank to creditors, who are the persons related with the insolvent bank by special relations, by forced restructuring of liabilities of the insolvent bank.

6-1. Questions about taking measures to settle an insolvent bank, the compulsory liquidation of which carries systemic risks of the financial system, as well as about state participation in the settlement of such a bank, are preliminarily submitted by the authorized body for consideration by the Financial Stability Council of the Republic of Kazakhstan, created by the President of the Republic of Kazakhstan.

7. Application of measures on settlement of an insolvent bank should be preceded by an assessment (analysis) of the financial and property status of the bank with its visit, including with involvement of appraisers, audit and other organizations.

8. The authorized body shall take measures on settlement of an insolvent bank without obtaining the consent of shareholders, depositors and creditors, debtors of the insolvent bank and other interested persons.

In order to notify the depositors and creditors, debtors of an insolvent bank, as well as other interested parties, the announcement on application of measures on settlement of an insolvent bank shall be published in the Kazakh and Russian languages in periodicals, distributed throughout the territory of the Republic of Kazakhstan, as well as by the authorized body and insolvent bank - on their Internet resources.

**Footnote. Article 61-8 as amended by the Law of the Republic of Kazakhstan dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).**

## **Article 61-9. Consequences of classifying a bank to the category of an insolvent banks and applying measures on settlement of an insolvent bank**

1. In order to implement the measures on settlement of an insolvent bank, the authorized body shall have the right to introduce a conservation regime of a bank and appoint a temporary administration for management of the bank (temporary bank manager) in the manner, provided by Articles 62-67 of this Law.

2. During the conservation period, the authorized body shall have the right to impose a moratorium on satisfaction of claims of depositors and creditors, during the validity period of which:

1) the accrual of a forfeit (fines, penalties) on all obligations of an insolvent bank shall be terminated and other measures of liability for non-performance or improper performance of monetary obligations and other monetary requirements on the obligations of an insolvent bank shall not be applied;

2) all operations on bank accounts of clients and the insolvent bank itself shall be terminated, except for cases related to:

expenses, provided by regulatory legal acts of the authorized body;

by crediting money, received in favor of an insolvent bank;

return of money, received on closed accounts of persons who were previously the clients of an insolvent bank;

payments to individuals to whom the insolvent bank is liable for causing harm to life or health;

calculation of wages and compensation to the persons, who worked under an employment contract, arrears on social contributions to the State social insurance fund, payment of alimony withheld from wages and mandatory pension contributions, payment of mandatory professional pension contributions, as well as remuneration under author's contracts;

payment by clients of insolvent bank of taxes, fees and other obligatory payments to the budget;

conducting operation provided by Articles 61-11 and 61-12 of this Law;

expenses in connection with recognition of transactions of an insolvent bank invalid in accordance with Article 61-13 of this Law;

3) execution of claims for recovery of money from bank accounts of an insolvent bank shall be suspended according to requirements of creditors, including those subject to satisfaction in an indisputable manner, as well as foreclosure on the property of an insolvent bank;

4) execution of executive documents on recovery of debts from an insolvent bank shall be suspended, except for executive documents issued before the date of introduction of the moratorium.

3. Application of measures on settlement of an insolvent bank, provided by this Law may not be the basis for:

- 1) early execution or termination of obligations of an insolvent bank;
- 2) implementation of contracts conditions and (or) prospectus of securities for early execution by the insolvent bank of obligations to the depositors and creditors in case of bankruptcy of this bank or upon occurrence of another event that might be qualified as an event equivalent to bankruptcy of the bank;
- 3) recovery by creditors of the mortgaged property of an insolvent bank on the obligations secured by the pledge.

#### **Article 61-10. Forced restructuring of liabilities of an insolvent bank**

1. The authorized body shall make a decision on forced restructuring of liabilities of an insolvent bank.

Forced restructuring of liabilities of an insolvent bank shall be a set of measures on improvement of financial situation of an insolvent bank by applying to it of one or more measures on:

- 1) writing-off in full or in part of the liabilities of the insolvent bank;
- 2) conversion of securities and other monetary liabilities of an insolvent bank into its ordinary shares, including an increase in the number of declared ordinary shares of an insolvent bank in the amount, determined by the authorized body, to eliminate the grounds for classifying the bank to the category of insolvent banks, specified in paragraph 2 of Article 61-7 of this Law, and compliance with equity capital adequacy ratios;
- 3) change of terms and (or) interest rates on obligations of an insolvent bank, including temporary suspension of execution of payments on the service of obligation.

2. Forced restructuring of obligations of an insolvent bank shall be carried out in the order of the reverse priority of satisfaction of creditors' claims, established by Article 74-2 of this Law.

3. Forced restructuring shall not be subject to:

- 1) liabilities of an insolvent bank to the persons, whose claims are not included in the liquidation bankruptcy estate in accordance with Article 74-1 of this Law;
- 2) liabilities of an insolvent bank, which are subject to satisfaction in case of forced liquidation in the first, second, third, fourth, fifth, and seventh stages in accordance with Article 74-2 of this Law, as well as the liabilities of an insolvent bank to individuals on deposits in the amount of the guarantee compensation subject to payment by the organization, carrying out obligatory guaranteeing of deposits in case of its forced liquidation.

4. When converting securities and other monetary liabilities of an insolvent bank into its common shares:

- 1) a resolution of the general meeting of shareholders of an insolvent bank on an additional issue of shares of an insolvent bank shall not be required;



2) the shareholders of an insolvent bank shall not have the right to pre-emptive purchase of shares of an insolvent bank;

3) the requirements of paragraph 2 of Article 16, paragraphs 2 and 5 of Article 17 and Article 17-1 of this Law shall not be applied.

5. The procedure for compulsory restructuring of liabilities of an insolvent bank shall be determined by a regulatory legal act of the authorized body.

**Article 61-11. Operation on simultaneous transfer of assets and liabilities of an insolvent bank to another bank (other banks)**

1. According to the decision of the authorized body, an operation on simultaneous transfer of assets and liabilities of an insolvent bank to another bank (other banks) (hereinafter – the bank-acquirer) provided in this Article, shall be carried out by temporary administration for managing a bank (temporary manager of the bank) at the stage of conservation.

2. In conducting an operation, specified in paragraph 1 of this Article, the liabilities of an insolvent bank shall be transferred to the bank-acquirer in compliance with the priority of satisfaction of creditors' claims provided by Article 74-2 of this Law.

3. In conducting operation, specified in paragraph 1 of this Article, the bank-acquirer may be transferred all or part of the assets and all or part of liabilities of an insolvent bank, except for the case, specified in part two of this paragraph.

In case of insufficiency of assets of an insolvent bank at transfer to bank-acquirer of liabilities to the creditors of one priority, these liabilities shall be transferred in proportion to the sums of claims of the creditors which are subject to satisfaction.

The liabilities of an insolvent bank on the guaranteed deposits of individuals must be transferred to the bank-acquirer in full.

In the event that the amount of obligations under guaranteed deposits transferred to the bank- acquirer exceeds the amount of property of the insolvent bank, the organization performing mandatory guaranteeing of deposits is obliged to cover the difference in accordance with the legislation of the Republic of Kazakhstan on the mandatory guaranteeing of deposits.

The amount of funds, transferred by the organization carrying out obligatory guarantee of deposits, in accordance with part four of this paragraph, shall not exceed the amount subject to payment as a guarantee compensation, determined in accordance with the legislation of the Republic of Kazakhstan on obligatory guarantee of deposits.

4. The procedure for carrying out by the temporary administration for the management of the bank (temporary manager of the bank) of transfer of assets and liabilities of an insolvent bank to the bank-acquirer shall be determined by the regulatory legal act of the authorized body.

5. Conducting of operation, specified in paragraph 1 of this Article does not require:

1) the consent of shareholders, depositors and creditors, debtors of an insolvent bank, as well as other interested persons (including pledgors, guarantors, sureties). Thus the identity of a new creditor shall be recognized not having essential value for the debtor;

2) introduction of amendments to the contracts, concluded by an insolvent bank with the depositors and creditors, debtors of an insolvent bank, as well as other persons (including pledgors, guarantors, sureties), in terms of specifying a new party to the contract;

3) conclusion of new bank account contracts by the bank-acquirer with the depositors of an insolvent bank. In this case, the bank-acquirer shall be obliged to notify the depositors about changes in individual identification codes.

6. Collection and processing of personal data of clients of an insolvent bank, rights (claims) and liabilities under which are transferred during the operation, specified in paragraph 1 of this Article, shall be carried out by the bank-acquirer without the consent of the subjects of personal data or their legal representatives.

7. In order to notify the depositors and creditors, debtors of an insolvent bank, as well as other interested parties, the temporary administration for management of the bank (temporary bank manager) shall publish an announcement on the transfer of assets and liabilities of an insolvent bank to the bank-acquirer in the Kazakh and Russian languages in periodicals, distributed throughout the territory of the Republic of Kazakhstan, as well as by the authorized body, an insolvent bank and the bank-acquirer - on their Internet-resources.

8. Transfer to the bank-acquirer of assets in the form of shares or participation stakes in the authorized capital of legal entities, branches and representative offices does not require the bank-acquirer to obtain additional permits, consents or notifications of the authorized body, which are provided by this Law and other laws of the Republic of Kazakhstan.

9. Transfer of liabilities of an insolvent bank to the depositors by the temporary administration for the management of the bank (temporary manager of the bank) to the bank-acquirer shall be carried out in accordance with paragraphs 6, 7 and 8 of Article 61-2 of this Law.

10. Transfer of assets and liabilities of an insolvent bank shall be carried out by concluding a contract on simultaneous transfer of assets and liabilities with attachment of a transfer act to the contract.

The transfer act must contain information about the transferred assets, rights, ensuring the performance of obligations under the transferred assets, and liabilities.

The provisions of the Civil code of the Republic of Kazakhstan on the change of persons in the obligation shall apply to the contract on simultaneous transfer of assets and liabilities.

11. Contract on simultaneous transfer of assets and liabilities (with attachment of the transfer act) shall be provided to the authorized registering body (organization) by the bank-acquirer in order to enter in the legal cadastre, and registry of pledge of movable

property, the system of registers of holders of securities of information about a new creditor, being at the same time a pledge holder, to whom the rights ensuring fulfillment of obligations under the transferred assets have been transferred.

The assignment of rights (claims) on the grounds and in the manner, determined by this Article shall also be the basis for the transfer to a new creditor, who is at the same time the pledge holder, of rights to property, in respect of which there are encumbrances, arrests, other restrictions registered by third parties or state bodies in the disposal of property.

12. After the transfer of liabilities of an insolvent bank before the depositors and creditors to the bank-acquirer, the liabilities before such depositors and creditors shall be carried out by the bank-acquirer.

13. After conclusion of the contract on simultaneous transfer of assets and liabilities of an insolvent bank to the bank-acquirer:

1) shareholders, depositors and creditors of an insolvent bank whose assets and liabilities have been transferred shall not have the right to demand from the bank-acquirer compensation for any losses incurred as a result of the transfer of its assets and liabilities in favor of the bank-acquirer;

2) the assets and liabilities transferred to the bank-acquirer may not be claimed in favor of the insolvent bank.

14. Temporary administration for bank management (temporary bank manager) after the completion of the transfer of assets and liabilities of an insolvent bank to the bank-acquirer shall submit to the authorized body the proposal on deprivation of license of the insolvent bank to conduct all banking and other operations and compulsory liquidation of the insolvent bank.

15. The features of conducting operation on simultaneous transfer of assets and liabilities of an insolvent bank to a stabilization Bank shall be established by Article 61-12 of this Law.

16. The provisions of paragraphs 2-8, 10-13 of this Article shall apply to the cases of simultaneous transfer of assets and liabilities of a bank deprived of a license to conduct all banking and other operations by the temporary administration (temporary administrator) of the bank prior to the entry into force of the court decision on forced liquidation.

When the temporary administration (temporary administrator) of the bank conducts an operation on simultaneous transfer of assets and liabilities of a bank, deprived of a license to conduct all banking and other operations before entry into force of the court decision on compulsory liquidation of the bank, the bank-acquirer shall assign individual identification codes to the depositors' bank accounts without concluding a new bank account contract with notification of depositors and shall perform the requirements, provided by paragraph 8 of Article 61-2 of this Law, including the orders of the authorized state bodies, having the right to suspend expenditure operations on the bank account, decisions (resolutions) of the

authorized bodies or officials having the right to seize the client's money presented to the bank accounts of the depositors, in the manner provided by paragraph 8 of Article 61-2 of this Law.

**Footnote. Article 61-11 as amended by the Law of the Republic of Kazakhstan dated 22.11.2024 № 138-VIII (shall be enforced ten calendar days after the day of its first official publication).**

**Article 61-12. Features of conducting operation on simultaneous transfer of assets and liabilities of an insolvent bank to the stabilization bank**

1. The temporary administration for management of the bank (temporary bank manager) shall submit to the authorized body a proposal on conducting an operation on the transfer of assets and liabilities of an insolvent bank to the stabilization bank.

The authorized body for the purpose of conducting operation on simultaneous transfer of assets and liabilities of an insolvent bank to the stabilization bank shall make the decision on creation of stabilization bank and instruct temporary administration of the bank (temporary manager of the bank) carrying out operation on transfer of the specified assets and liabilities to the stabilization bank.

The conditions and procedure of conducting operation for the transfer of assets and liabilities of an insolvent bank to the stabilization bank shall be determined by a regulatory legal act of the authorized body.

2. The requirements for creation and regulation of activity of the banks, provided by Articles 13, 14, 16, 17-1, 19, 20, 23, 24, 25, 27, 28, paragraphs 6 and 7 of Article 29, paragraphs 5 and 13 of Article 30, Articles 31, 32 and 42 of this Law, as well as the provisions of Articles 33-74 of the Law of the Republic of Kazakhstan "On Joint Stock Companies" shall not apply to the stabilization bank.

The procedure for creation, the minimum size and procedure for formation of the authorized and equity capital of the stabilization bank, the procedure for management of stabilization bank, the procedure for conclusion of transactions in respect of commission of which special conditions has been established, the procedure for registration of issuance of announced shares and annulment of announced shares of the stabilization bank, as well as the procedure for obtaining by the stabilization bank of a license to conduct banking and other operations provided by this Law, shall be established by regulatory legal acts of the authorized body.

3. The stabilization bank shall have the right to carry out banking and other operations provided by this Law on the basis of the license of the authorized body.

The stabilization bank shall not have the right to carry out the activity, permitted for the banks by Article 8 of this Law, except for acquisition of shares or stakes in the authorized

capital of legal entities, when the shares or stakes in the authorized capital of these organizations taken as collateral become the property of the bank in accordance with the civil legislation of the Republic of Kazakhstan and the legislation of a foreign state.

4. After the transfer of assets and liabilities to the stabilization bank, the fulfillment of obligations to individuals and legal entities, with the exception of obligations to accrue interest, is suspended for a period of twelve months. Obligations, the due date for which has come, including obligations on term deposits of individuals and legal entities, obligations to the Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan, as well as obligations to second-tier banks secured by assets transferred to the stabilization bank, are subject to execution by the stabilization bank. The Stabilization Bank fulfills its obligations on current accounts of individuals and legal entities.

5. Prior to the entry into force of the court decision on forced liquidation of an insolvent bank, the stabilization bank, in agreement with the authorized body, shall have the right to exchange the asset previously transferred to it for another asset of the insolvent bank.

6. The stabilization bank shall transfer the assets and liabilities to another bank, determined by the authorized body in accordance with the procedure established by the regulatory legal act of the authorized body.

The transfer of obligations of the stabilization bank in the manner, provided by this Article shall be carried out without the consent of depositors and creditors of the stabilization bank. In order to notify the depositors and creditors, the stabilization bank shall publish an announcement on the transfer of assets and liabilities of the stabilization bank to the bank-acquirer in periodicals distributed throughout the Republic of Kazakhstan, in the Kazakh and Russian languages.

7. By the decision of the authorized body, the stabilization bank shall cease its activity after the full transfer of the assets and liabilities to the bank-acquirer in the manner and under the conditions, provided by the authorized body.

8. By the decision of the authorized body, all shares of the stabilization bank can be sold to the investor on the conditions, guaranteeing an increase in the capital of the stabilization bank and its functioning in accordance with the requirements of the legislation of the Republic of Kazakhstan.

The acquisition of shares of the stabilization bank by the investor shall be carried out in the procedure and conditions, provided by the legislation of the Republic of Kazakhstan.

Since the acquisition by the investor of shares of the stabilization bank, the bank shall lose the status of the stabilization bank and carry out its activity in compliance with the requirements of the legislation of the Republic of Kazakhstan. Regulation, control and supervision of activity of this bank shall be carried out in accordance with the requirements of this Law and other laws of the Republic of Kazakhstan.

9. The provisions of paragraphs 2, 3, 5-16 of Article 61-11 of this Law shall apply to the cases of conducting simultaneous transfer of assets and liabilities of an insolvent bank to a stabilization bank.

**Footnote. Article 61-12 as amended by the Law of the Republic of Kazakhstan dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).**

### **Article 61-13. Recognition of transactions of the insolvent bank as invalid and return of property**

1. The authorized body, the temporary administration for bank management (temporary bank manager) (in case of its appointment by the authorized body) and (or) the bank, including at the request of creditors, on transactions made by an insolvent bank or a person authorized by it within three years prior to the date of classification of the bank to the category of insolvent banks, shall have the right to apply to the court for recognition of transactions as invalid if there are grounds for invalidity of transactions provided by the civil legislation of the Republic of Kazakhstan and this Article.

2. The grounds for invalidity of transactions, except as provided by the Civil code of the Republic of Kazakhstan, shall be:

1) the conditions of transaction differ significantly to the worse for the insolvent bank from the conditions under which the similar transactions are made in comparable circumstances, if the consequences of transaction led (will lead) to losses of an insolvent bank ;

2) the transaction is made in violation of the requirements and (or) restrictions established by the legislation of the Republic of Kazakhstan and (or) supervisory response measures applied by the authorized body, if the consequences of transaction led (will lead) to losses of an insolvent bank;

3) the property is transferred (including for temporary use) free of charge or alienated on the conditions significantly different to the worse for the insolvent bank from the conditions of transfer (alienation) of similar property under comparable economic conditions, or without the grounds to detriment of the interests of creditors;

4) a transaction made within six months prior to the classification of the bank to the category of insolvent banks resulted in the preferred satisfaction of the claims of some creditors of the insolvent bank before others;

5) the conditions of the pledge contract have been amended, providing the change of the collateral subject to the worst side for the insolvent bank, if the consequences of the entered changes have led (will lead) to losses of the insolvent bank.

3. If the transaction is declared invalid, the defendant shall be obliged to return all received under the transaction, if it is impossible to return in kind - to reimburse the cost of the property to be returned, works performed or services rendered.

In case of impossibility to return the property or at gratuitous transfer of property in connection with its loss, damage or its subsequent bona fide acquisition by the third parties

initial purchasers of the claimed property shall bear responsibility on compensation of the losses which have arisen in connection with it within cost of the lost, spoiled or bona fide acquired by the third parties of property.

If it is impossible to recover the cost of the property by the initial purchasers, the person who made the decision to alienate the property of the insolvent bank shall be brought to subsidiary liability in the court.

4. In a case initiated at the request of the authorized body or temporary administration for management of the bank (temporary manager of the bank), after exclusion of the bank from the category of insolvent banks, the bank or temporary administration (temporary administrator) of the bank shall be recognized as the plaintiff, until the court decision on forced liquidation of the bank comes into force.

5. The provisions of paragraph 2 of this article shall not apply to the transaction(s) under the master financial agreement, except for cases as follows:

1) the transaction (transactions) within the framework of the general financial agreement is (are) made after the initiation of the case on the forced liquidation of the bank or within one month before the date of the initiation of the case on the forced liquidation of the bank;

2) the transaction (transactions) within the framework of the general financial agreement is (are) completed within one month before the date of revocation of the license of the bank to conduct banking operations;

3) the transaction (transactions) within the framework of the general financial agreement was (are) made within six months before the date of initiation of a case on the forced liquidation of the bank with a person associated with the bank by special relations, or in his interests;

4) the transaction (transactions) under the master financial agreement was (are) made within six months before the date of initiation of a case on the forced liquidation of the bank or the date of deprivation of the license of the bank to conduct banking operations with a person who knew (or should have known) about the signs of an unstable financial situation of the bank;

5) the transaction (transactions) under the master financial agreement has a change of parties (except for the change of parties as a result of universal succession) in one of the following cases:

after the initiation of a case on the forced liquidation of the bank or within one month before the date of initiation of the case on the forced liquidation of the bank;

within one month before the date of revocation of the license the bank to conduct banking operations;

within six months before the date of initiation of a case on the forced liquidation of the bank with a person related to the bank by special relations;

within six months before the date of initiation of a case on the forced liquidation of the bank or the date of deprivation of the license of the bank to conduct banking operations with a



person who knew (or should have known) about the signs of the bank's unstable financial position.

6. The invalidity of one or more transactions under the master financial agreement shall not entail the invalidity of the master financial agreement itself and other transactions under the master financial agreement, if there are no grounds for invalidating the master financial agreement and other transactions.

If one or several transactions within the framework of the master financial agreement are recognized as invalid after the determination of the net obligation (net claim), the net liability (net claim) shall be subject to recalculation by the party to the transaction by which the net liability (net claim) was determined, by eliminating from it the results of a transaction or transactions declared invalid.

**Footnote.** Article 61-13 amended by the Law of the Republic of Kazakhstan dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).

## **Chapter 8. Conservation of a bank and bank holding company**

**Footnote.** The title as amended by the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication.)

### **Article 62. The definition of bank conservation**

1. A bank may be subject to conservation if it is classified to the category of insolvent banks and application to it of the settlement measures provided by Article 61-8 of this Law.

Conservation shall represent a special regime of management and activity of an insolvent bank, forcibly introduced by the authorized body to establish control over the insolvent bank in implementation of measures for settlement of the insolvent bank.

2. is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

3. Imposition of the conservation regime shall entail the appointment of a temporary administration of a bank or a temporary administrator of a bank by the authorized body for a limited (up to one year) term.

4. Conservation of a bank shall be performed at the expense of the bank itself.

5. is excluded by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

6. The order of appliance (imposition) of the conservation regime of the second tier banks shall be defined by the regulatory legal act of the authorized body.

**Footnote.** Article 62 as amended by the Decree of the President of the Republic of Kazakhstan having the force of the Law dated 27.01.1996 No 2830, the Laws of the Republic of Kazakhstan dated 11.07.1997 No 154; dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 13.02.2009 No 135 -IV (the order of enforcement see Art. 3); dated

28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication.) dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

**Article 63. Temporary administration for a bank management (temporary bank administrator)**

1. The temporary administration (temporary manager of the bank) shall be appointed by the authorized body from among its employees, representatives of the organization, carrying out obligatory guarantee of deposits, or other persons complying with the minimum requirements, established by paragraph 3 of Article 20 of this Law.

2. The rights and obligations, and the terms of remuneration of the head and members of the temporary administration (temporary bank administrator) shall be established by a separate agreement, concluded between the authorized body and the temporary administration (temporary bank administrator).

3. The temporary administration (temporary bank administrator) shall be governed by this Law, the regulatory legal acts of the authorized body and other Laws of the Republic of Kazakhstan.

4. The authorized body shall be entitled at any time to replace the members of the temporary administration (temporary bank administrator).

5. For the damage caused to the bank, the head and members of the temporary administration (temporary administrator) shall bear responsibility, established by the acting legislation. Imposition of responsibility to the head and members of the temporary administration (temporary bank administrator) for any damage that may be classified as normal business risks shall not be permitted.

**Footnote.** Article 63 as amended by the Law of the Republic of Kazakhstan dated 11 July, 1997 No 154; dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004); dated 23 December, 2005 No 107 (the order of enforcement See Art.2 of the Law No 107); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016).

**Article 64. A decision on bank conservation**

1. The decision of the authorized body on the bank conservation shall contain:

- a) the name of the bank and its location;
- b) the ground for the decision on the bank's conservation;
- c) the commence and duration of the conservation;
- d) the list of restrictions imposed on the bank's activities;
- e) the members of the temporary administration or the surname, name and patronymic of the temporary administrator;
- f) the instructions for the executives of the bank, that is under the conservation, on drawing up of a report on their activities, the income statement, the information about the presence and the amount of the property and submission of these documents to the temporary administration (temporary bank administrator);
- g) recommendations to the temporary administration (temporary bank administrator).

2. The decision on conducting bank conservation shall be published by the authorized body in two periodicals that are circulating throughout the Republic of Kazakhstan.

**Footnote.** Article 64 as amended by the Law of the Republic of Kazakhstan dated 11 July, 1997 No 154; dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004).

**Article 65. Consequences of introduction of the bank conservation regime. Powers of temporary administration for management the bank (temporary bank manager)**

**Footnote.** The title of Article 65 is in the wording of the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

1. From the commencement of conservation and for its duration:

a) the rights of the shareholders of the bank for the use and disposal of the shares issued by a given bank shall be suspended;

b) the powers of the bank's bodies shall be suspended and its executives shall be suspended from work;

c) all powers of bodies of the bank, and also the rights of shareholders of the bank on the use of shares, which issuer is this bank, shall be transferred to temporary administration (temporary manager);

d) all of the transactions, made on behalf of and at the expense of the bank without the knowledge and a written consent of the temporary administration (temporary bank administrator) shall be recognized invalid.

2. The temporary administration (temporary bank administrator) shall have the right:

a) to make decisions on the bank's activities in accordance with the requirements of Article 66 of this Law;

b) if necessary, completely or partially suspend the obligations of the bank before the depositors and other creditors for the period of conservation;

c) if necessary to terminate the contracts, concluded with the bank, providing investment of the bank's funds or amend them unilaterally, including the changing of rates, fees and the duration;

d) to sign all agreements and documents on behalf of the bank;

e) to make the claims on behalf of and in the interests of the bank;

f) to issue orders, including the orders of dismissal, down-grading or suspension from office, distribution of responsibilities among the employees of the bank;

g) to perform the offset of mutual claims due to the confusion of debts;

h) transfer the assets and liabilities of the bank to another (other) bank (s) or the stabilization bank in accordance with Articles 61-11 and 61-12 of this Law;

i) to perform activities provided for in Article 8 of this Law;

j) carry out other activity related to implementation of measures on settlement of an insolvent bank, specified in Article 61-8 of this Law.

It shall be prohibited to offset the mutual claims with the creditors whose claims against the bank, which is under the conservation, shall arise from the claim assignment agreement (contracts).

Footnote. Article 65as amended by the Laws of the Republic of Kazakhstan dated 2 March, 2001 No 162 (see Art. 2); dated 23 December, 2005 No 107 (the order of enforcement see Article 2 of the Law No 107); dated 19 February, 2007, No 230 (the order of enforcement see Article 2); dated 23.10.2008 No 72 -IV (the order of enforcement see Article 2); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08. 2009); dated 28.12.2011 No 524 -IV (the order of enforcement upon expiry of ten calendar days after its first official publication.); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

#### **Article 66. Monitoring the activity of the temporary bank administration (temporary bank administrator)**

1. During the bank conservation, the activities of the temporary administration (temporary bank administrator) shall be controlled by the authorized body which is entitled:

a) to make recommendations to the temporary administration (temporary bank administrator) on the main directions of activities during the conservation of the bank (to offer an action plan);

b) to submit written instructions which shall be performed by the temporary administration (temporary bank administrator);

c) to require submission of any information about its activities and the activities of the bank to the temporary administration (temporary bank administrator);

d) to hear a report of the temporary administration (temporary bank administrator) on the work accomplished;

e) to extend the term of conservation;

f) to make a decision on termination of the bank conservation.

2. The detailed regulation of the activities of the temporary administration (temporary bank administrator) and the principles of its relationship with the third parties shall be determined by the regulatory legal acts of the authorized body.

Footnote. Article 66 as amended by the Law of the Republic of Kazakhstan dated 11 July, 1997 No 154; dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004).

#### **Article 67. Termination of conservation**

1. A bank's conservation shall be terminated for the following reasons:

a) expiry of the conservation period, specified by the decision of the authorized body;

b) taking of a decision by the authorized body on the early termination of conservation.

2. Termination of the bank's conservation (including the early termination) in connection with the improvement of its financial condition and the quality of work shall entail abolition of all restrictions, imposed to the bank, established by the authorized body or temporary

administration (temporary bank administrator). The amendments and additions, made during the conservation period to the constituent documents, the administration bodies and the composition of the bank's employees, shall remain in force.

3. If the bank conservation does not lead to improvement of the financial condition and the quality of the work, the authorized body shall be entitled to revoke the license to conduct banking transactions on the grounds, established by the banking legislation of the Republic of Kazakhstan.

**Footnote.** Article 67 as amended by the Laws of the Republic of Kazakhstan, dated 11 July, 1997 No 154; dated 2 March, 2001 No 162 (see Art. 2); dated 10 July 2003 No 483 (shall be enforced from 1 January, 2004); dated 12 January, 2007 No 222 (shall be enforced upon expiry of six months from the date of its official publication); dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009).

#### **Article 67-1. Conservation of a bank holding company which is a parent organization of the bank**

1. Conservation of a bank holding company shall be a forced implementation, upon the decision of the authorized body, of a range of administrative, legal, financial, organizational, technical and other measures and procedures in respect of a bank holding company in order to restore its financial condition and improve the quality of the work.

2. A bank holding company that is a resident of the Republic of Kazakhstan may be subjected to the conservation.

A bank holding company may be subjected to the conservation under any of the following reasons:

- 1) failure to comply with the equity capital adequacy ratio of the banking conglomerate;
- 2) presence of a negative equity capital for two or more consecutive quarters.

3. Imposition of a conservation regime shall entail the appointment of a temporary administration or a temporary administrator of a bank holding company by the authorized body for a limited (up to one year) term.

4. Conservation of a bank holding company shall be carried out at the expense of the bank holding company itself.

5. The decision of the authorized body on conservation may be appealed by the shareholders (participants) of the banking holding within ten calendar days in the manner prescribed by the laws of the Republic of Kazakhstan. Appeal of the said decision does not suspend the conservation of the banking holding.

6. Requirements of Articles 63, 64, 65, 66 and 67 of this Law shall apply to the bank holding companies to the extent not contradicting the legislation of the Republic of Kazakhstan.

**Footnote.** Chapter 8 is supplemented by Article 67-1 in accordance with the Law of the Republic of Kazakhstan dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten

calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan dated 29.06.2020 № 351-VI (shall come into force from 01.07.2021).

## **Chapter 9. A liquidation and forced reorganization of banks**

**Footnote.** Chapter 9 is in the wording by the Law of the Republic of Kazakhstan dated 11 July 1997 No 154.

### **Article 68. The types and grounds for liquidation of banks**

1. A bank may be liquidated:
  - a) under the decision of its shareholders with the permission of the authorized body (voluntary liquidation);
  - b) under a court decision in the cases, provided by the legislative acts of the Republic of Kazakhstan (compulsory liquidation);
  - c) *(Is excluded - No 162 dated 2.03.01)*
2. Termination of the banks' activities, including for the bankruptcy, shall be performed in accordance with the legislative acts of the Republic of Kazakhstan, taking into account the requirements of this Law.

**Footnote.** Article 68 is amended by the Law of the Republic of Kazakhstan dated 2 March, 2001 No 162 (see Art. 2); dated 10 July 2003 No 483 (shall be enforced from 1 January 2004); dated 07.03.2014 № 177-V (shall be enforced upon expiry of ten calendar days after its first official publication).

### **Article 68-1. The creditors' committee of the voluntarily and compulsorily liquidated banks**

1. In order to ensure the interests of creditors and decision-making with their participation in the procedures of voluntary and compulsory liquidation of banks, a committee of creditors shall be established.

The structure of the committee of creditors of the voluntarily or compulsorily liquidated bank shall be approved by the authorized body under the recommendation of the liquidation commission of the bank.

2. Particularities of formation and activities of the creditors' committee shall be established by the regulatory legal acts of the authorized body.

**Footnote.** Is supplemented by Article 68-1 of the Law of the Republic of Kazakhstan dated 2 March, 2001 No 162 (see Art. 2); as amended by the Law of the Republic of Kazakhstan dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004).

### **Article 69. Voluntary liquidation**

1. After the general meeting of shareholders of the bank makes a decision on its voluntary liquidation, the bank shall be obliged to take measures to return the deposits of individuals by direct payment or their transfer to another bank or branch of a non-resident bank of the Republic of Kazakhstan, which are participants in the mandatory deposit guarantee system.



The transfer of deposits of individuals to a branch of a non-resident bank of the Republic of Kazakhstan is carried out in compliance with the conditions stipulated by part two of paragraph 13 of Article 30 of this Law.

The procedure for issuing permission for the voluntary liquidation of banks, as well as the procedure for the return of deposits of individuals, their transfer to another bank or branch of a non-resident bank of the Republic of Kazakhstan, which are participants in the system of mandatory deposit insurance, shall be determined by the regulatory legal act of the authorized body.

1-1. After the return of deposits of individuals, the bank shall have the right to apply to the authorized body with a request to issue a permit for its voluntary liquidation.

The petition must be accompanied by a list of measures on the timing and stages of preparation of the bank for the termination of its activities, approved by the general meeting of shareholders, a balance sheet indicating the sufficiency of the bank's funds to carry out settlements on its obligations, and other necessary information. The list of required information is established by the regulatory legal acts of the authorized body.

2. An application for a permit for a voluntary liquidation of the bank shall be considered by the authorized body within two months from the date of receipt of the duly completed documents.

In case of refusal to issue permission for the voluntary liquidation of the bank, the authorized body shall deliver a reasoned decision about this, which brings to the attention of the bank.

2-1. A refusal to grant permission for voluntary liquidation of the bank shall be made by the authorized body for one of the following reasons:

- 1) incomplete or improper execution of the submitted documents;
- 2) insufficient funds of the bank to settle its obligations;
- 3) failure to take measures to return deposits of individuals through their direct payment or their transfer to another bank or branch of a non-resident bank of the Republic of Kazakhstan, which are participants in the mandatory deposit guarantee system.

**3. (The paragraph is excluded by the Law of the Republic of Kazakhstan dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004)).**

4. Upon the receipt of a permit for a voluntary liquidation, the bank shall establish a liquidation committee including the branches and representative offices of the bank to which the powers to manage the property and affairs of the bank are delegated.

Particularities of the activity of the liquidation committees of the voluntarily liquidated banks shall be determined by the regulatory legal acts of the authorized body.

4-1. Monitoring of the activities of the liquidation commission of the voluntarily liquidated bank shall be carried out by the authorized body.



5. After receiving permission for voluntary liquidation, the bank is obliged to publish information about this in periodicals distributed throughout the territory of the Republic of Kazakhstan.

6. The liquidation commission is obliged to submit them to the Corporation and the authorized body within seven days after the approval of the liquidation balance sheet and the bank liquidation report.

When completing the bank's liquidation, the liquidation committee shall deposit the documents in the archives and notify the authorized body about it.

7. If the bank's funds are insufficient to cover the claims of all creditors, the bank shall be subject to compulsory liquidation by the reason of bankruptcy.

7-1. Due to the inability to complete the process of a voluntary liquidation, the authorized body shall be entitled to apply to the court for a voluntary liquidation of the bank.

Footnote. Article 69 is amended by the Laws of the Republic of Kazakhstan dated 16 July , 1999 No 436; dated 2 March, 2001 No 162 (see Art. 2); dated 10 July 2003 No 483 (shall be enforced from 1 January, 2004); dated 23.10.2008 No 72 -IV (the order of enforcement see Art. 2); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019); dated November 25, 2019 № 272-VI (shall be enforced upon expiry of ten calendar days after the day of its first official publication); dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 19.06.2024 № 97-VIII (comes into effect ten calendar days after the day of its first official publication).

#### **Article 70. The types of a compulsory liquidation of banks**

A compulsory liquidation of the bank shall be carried out by the court in connection with:

- a) the bankruptcy of the bank;.
- b) revocation of the bank's license to conduct banking transactions on the grounds provided by the banking legislation of the Republic of Kazakhstan;
- c) the application (claim ) of the authorized state bodies, legal entities and individuals on termination of the bank's activities for the other grounds, stipulated by legislative acts.

Footnote. Article 70 as amended by the Laws of the Republic of Kazakhstan dated 2 March, 2001 No 162 (see Art. 2); dated 12 January, 2007 No 222 (shall be enforced upon expiry of six months from the date of its official publication); dated 11.07.2009 No 185 -IV ( shall be enforced from 30.08.2009).

#### **Article 71. Recognizing the bank bankrupt**

1. Insolvency of a bank shall be established by the conclusion of the authorized body, submitted to the court, and drawn up in recognition of the methodology of calculation of prudential standards and other mandatory standards and limits, the size of the bank's capital,

as well as existence of pecuniary obligations of a bank and other requirements of monetary nature, not fulfilled by the bank within three and more months from the moment of maturity of their fulfillment.

Bank shall be considered as insolvent upon its inability to fulfill pecuniary obligations and other requirements of monetary nature within three months from the moment of maturity of their fulfillment.

2. A bank may be recognized bankrupt only by the court decision in the due order. Out-of-court liquidation procedure of the insolvent bank under the decision of its creditors and the bank itself is not permitted.

3. The possibility to conclude an amicable settlement agreement by the parties in the case on the bank's bankruptcy shall be excluded.

4. The decision on recognizing the bank bankrupt and its compulsory liquidation shall be sent by the court to the authorized body.

**Footnote. Article 71 as amended by the Law of the Republic of Kazakhstan dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004); dated 07.03.2014 No 177 -V (shall be enforced upon expiry of ten calendar days after its first official publication).**

#### **Article 72. Liquidation of a bank for other grounds**

1. A compulsory liquidation of the bank in the cases when the court initiates a case under an application (claim) of the authorized state body, legal or individual entities (in the absence of a decision on revocation of the bank's licenses to conduct banking operations) shall be performed in accordance with this Law.

2. The decision on a compulsory liquidation of the bank shall be sent by the court to the authorized body.

From the date of the court's decision on compulsory liquidation of a bank in a case, initiated on the grounds, specified in subparagraph c) of Article 70 of this Law, the bank's license to conduct banking operations shall be revoked.

**Footnote. Article 72 as amended by the Laws of the Republic of Kazakhstan dated 2 March, 2001 No 162 (see Art. 2); dated 10 July 2003 No 483 (shall be enforced from 1 January 2004); dated 12 January, 2007 No 222 (shall be enforced upon expiry of six months from the date of its first official publication).**

#### **Article 73. The conditions and procedure of compulsory liquidation**

1. From the date of entry into force of the court decision on forced liquidation of the bank, the consequences provided by subparagraphs 1), 2), 4) - 9) of part two of paragraph 1 of Article 48-1 of this Law shall come.

The liquidation commission shall send a copy of the court ruling to the Corporation and the authorized body.

The liquidation commission shall be obliged within thirty calendar days after the approval of the liquidation balance sheet and the liquidation report, to submit them to the Corporation and the copies of these documents to the authorized body.

1-1. *Is excluded by the Law of the Republic of Kazakhstan dated 07.03.2014 No 177 -V (shall be enforced upon expiry of ten calendar days after its first official publication).*

2. All costs, associated with the liquidation of the bank, shall be covered by the bank's funds, except for the cases provided for in paragraph 8 of of Article 48-1 of this Law.

3. Valuation of the bank's property shall be made by the liquidation commission in accordance with the acting legislation.

4. The interim liquidation balance sheet and the register of the creditors' claims of the liquidated bank shall be approved by the authorized body.

4-1. Prior to approval of the interim liquidation balance sheet, the offset of the mutual claims shall be permitted due to the confusion of debts.

After the approval of the interim liquidation balance sheet, the offset of mutual claims shall be made only upon the occurrence of the appropriate phase of satisfying the claims of the creditor.

It shall be prohibited to offset the mutual claims with the creditor whose claims to the liquidated bank emerge from the claim assignment agreement (agreements).

5. Selling of the property of the liquidated bank shall be carried out by the liquidation committee of the bank in the order, established by the regulatory legal acts of the authorized body.

6. Monitoring the activities of the liquidation commission of the bank, including the bank, liquidated by reason of bankruptcy, shall be carried out by the authorized body.

6-1. The court that made a decision on liquidation of the bank shall be entitled to request any information related to the activities of the liquidation committee of the bank from the authorized body.

7. The liquidation committee shall submit to the court the report on liquidation and the liquidation balance sheet, coordinated with the authorized body.

The court shall approve the report on liquidation and the liquidation balance sheet and make a determination on completion of the liquidation proceedings.

The liquidation committee shall send a copy of the court's decision to the justice body, involved in the state registration of legal entities, and to the authorized body.

Within thirty calendar days after the approval of the liquidation balance sheet and the liquidation report, the liquidation committee shall submit them to the justice body, involved in the state registration of legal entities, and the copies of these documents - to the authorized body.

When terminating the bank's liquidation, the liquidation committee shall deposit the documents in the archives and notify the authorized body about it in the prescribed manner.

8. After the registration of the termination of the bank's liquidation, within five working days, the liquidation committee shall submit a copy of the order on registration of the termination of the bank's activity to the authorized body.

Footnote. Article 73 as amended by the Laws of the Republic of Kazakhstan dated 16.07.1999 No 436; dated 02.03.2001 No 162; dated 10.07.2003 No 483 (shall be enforced from 01.01.2004); dated 23.12.2005 No 107 (the order of enforcement see Article 2 of the Law No 107); dated 10.02.2011 No 406 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 28.12.2011 No 524 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication), dated 07.03.2014 No 177 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (shall be enforced upon expiry of ten calendar days from the date of its first official publication); dated 02.04.2019 № 241-VI (shall be enforced from 01.07.2019).

**Article 73-1. An operation on a simultaneous transfer of liabilities and assets of the bank to another bank (bank)**

Footnote. Article 73-1 is excluded by the Law of the Republic of Kazakhstan dated 11.07.2009 No 185 -IV (shall be enforced from 30.08.2009).

**Article 74. A liquidation commission of the compulsorily liquidated bank**

1. After the decision making on liquidation of a bank, including for the reason of bankruptcy, the court shall initiate the liquidation proceedings and instruct the authorized body to establish a liquidation commission of the bank taking into account its branches and representative offices.

The liquidation commission of the bank shall take steps to complete the bank's affairs and provide settlements with its creditors.

The procedure for appointment and dismissal of the liquidation commissions of the compulsorily liquidated banks, the requirements for the chairman and the members of the liquidation commission and the procedure of liquidation and requirements for the work of the liquidation commissions shall be determined by the regulatory legal acts of the authorized body.

The rights and duties of the chairman and a member of the liquidation commission, including the right to compensation, the powers to manage the affairs and property of the compulsorily liquidated bank shall be regulated by the regulatory legal acts of the authorized body and the agreement, concluded by them and the creditors' committee taking into account the requirements established by the legislation of the Republic of Kazakhstan.

The monthly remuneration paid to the chairman and the members of the liquidation commission of the bank and other attracted employees shall not exceed for each of them ten-fold minimum official wage, defined by the Law on the national budget for the relevant financial year.

2. (Is excluded - No 162 dated 2.03.01)

3. (The paragraph is excluded by the Law of the Republic of Kazakhstan dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004).

Footnote. Article 74as amended by the Laws of the Republic of Kazakhstan dated 2 March, 2001 No 162 (see Art. 2); dated 10 July 2003 No 483 (shall be enforced from 1 January 2004); dated 23 December, 2005 No 107 (the order of enforcement see Article 2 of the Law No 107); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication).

#### **Article 74-1. Particularities of formation of the liquidation, bankruptcy assets during the banks' liquidation**

1. Liquidation, bankruptcy assets of the bank shall be formed in the order, specified by the acting legislation, taking into account the particularities, provided in this Law.

1-1. The bank's liquidation bankruptcy estate shall not include allocated assets that are collateral for bonds issued in accordance with the legislation of the Republic of Kazakhstan on project financing and securitization, and collateral that is collateral for mortgage bonds as follows: rights of claim under mortgage loan agreements (including mortgage certificates), as well as government securities of the Republic of Kazakhstan in cases where the ownership of these bonds arose from their holders or passed to them under transactions or other grounds provided for by the laws of the Republic of Kazakhstan.

The allocated assets shall be transferred by the liquidation commission to the management (with the right to sell the allocated assets and levy execution on the pledged property and other collateral included in the allocated assets), to the representative of the bondholders of a special financial company in the manner prescribed by the regulatory legal act of the authorized body.

The pledged property, which is collateral for mortgage bonds specified in part one of this paragraph, shall be transferred by the liquidation commission to the representative of holders of mortgage bonds to satisfy the claims of creditors of the issuer of mortgage bonds.

1-2. The liquidation bankruptcy estate of a bank shall not include the security deposit provided to the creditor in the manner and on the terms determined by the transaction ( transactions) under the general financial agreement, prior to the date of withdrawal of the license of the bank to conduct banking operations.

2. When forming a liquidation bankruptcy estate, it does not include securities owned by third parties and entrusted to the custodian bank for storage and accounting, as well as pension assets, assets of the social health insurance fund, assets of investment funds, allocated assets of special financial companies entrusted to the bank -custodian for accounting and storage. Pension assets, assets of the social health insurance fund, target contribution funds allocated for a guaranteed volume of free medical care, assets of investment funds, allocated assets of special financial companies entrusted to the custodian bank for storage and accounting, shall be transferred to another bank at the request of the social health insurance fund, a voluntary savings pension fund, a joint-stock investment fund, a special financial company or a management company of a mutual investment fund.

3. The liquidation bankruptcy assets of the Islamic bank shall not include the property, acquired for the money, raised under the Investment Deposit Agreement of the Islamic bank. The said assets and the obligations on investment deposits shall be transferred by the liquidation commission to another Islamic bank.

The procedure for selecting the Islamic bank and transfer of the property, acquired for the money, raised under the investment deposit agreement, and the obligations on investment deposits of the liquidated Islamic bank shall be established by the regulatory legal act of the authorized body.

Footnote. Article 74-1 as amended by the Laws of the Republic of Kazakhstan dated 29.06.1998 No 236; dated 03.06.2003 No 427; dated 07.07.2004 No 577; dated 20.02.2006 No 127 (the order of enforcement See Art. 2); dated 20.11.2008 No 88 -IV (the order of enforcement see Art. 2); dated 12.02.2009 No 133 -IV (the order of enforcement see Art. 2); dated 12.01.2012 No 539 -IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.06.2013 No 106 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 16.11.2015 № 406-V (shall be enforced from 01.07.2017); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication); dated 19.04.2023 № 223-VII (shall be enforced from 01.01.2024).

#### **Article 74-2. Priority of satisfaction of creditors' claims of a forcibly liquidated bank**

Footnote. The title of Article 74-2 as amended by the Law of the Republic of Kazakhstan dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019).

1. The claims of creditors of a forced liquidated bank, including in connection with its bankruptcy, shall be satisfied in accordance with the procedure established by this Article.

2. The costs, associated with the liquidation procedures, including for ensuring the activities of the liquidation commission of the bank shall be covered in priority.

3. Claims of creditors recognized in accordance with the established procedure shall be satisfied in the following order:

1) first of all the requirements are satisfied:

of individuals to whom the forced liquidated bank is liable for causing harm to life or health, by capitalizing the relevant time-based payments for the payment of alimony withheld from wages and (or) other income;

on remuneration and payment of compensations to persons who worked under an employment contract, with the exception of executives of a forcibly liquidated bank, arrears on social contributions to the State Social Insurance Fund, on payment of mandatory pension contributions withheld from wages, on payment of mandatory pension contributions of an employer, mandatory professional pension contributions, as well as remuneration under copyright agreements;

2) secondly, the requirements of an organization that carries out obligatory guaranteeing of deposits are satisfied for the amount of compensation paid (paid) by it on guaranteed



deposits and for the amount of the compensated difference between the size of the bank's property and the size of obligations on guaranteed deposits transferred to another (other) bank (banks) as part of an operation for the simultaneous transfer of assets and liabilities of a forcibly liquidated bank;

3) in the third place the requirements under the obligations secured by the pledge of property of the compulsory liquidated bank shall be satisfied, in the amount not exceeding the value of the collateral and the requirements of the clearing organization, carrying out the functions of a central counterparty, resulting from previously concluded and outstanding by the forced liquidated bank which is a clearing participant of the clearing organization of transactions involving a central counterparty. In case of receipt of insurance payment for loss or damage of the pledged property, the claims of the collateral creditors shall not be satisfied in the part covered by the insurance payment. In case of loss of the pledged property the outstanding part of these claims shall be repaid within the eighth stage;

4) fourthly, claims on deposits of individuals who are not persons connected with the forcibly liquidated bank by special relations, including interest-free demand deposits placed in the forcibly liquidated Islamic bank, and money transfers, as well as requirements for deposits made at the expense of pension assets, on deposits of insurance organizations operating in the life insurance industry;

5) in the fifth turn, settlements are made with non-profit organizations engaged exclusively in charity, organizations of veterans of the Great Patriotic War, organizations of veterans equated to veterans of the Great Patriotic War on benefits, and organizations of veterans of military operations on the territory of other states, the Voluntary Society of Persons with Disabilities of the Republic of Kazakhstan, the Kazakh Society of the Blind, the Kazakh Society of the Deaf and industrial organizations owned by these legal entities and created at their expense, by other organizations of persons with disabilities according to their available funds in bank accounts and deposited;

6) in the sixth order, claims for deposits of legal entities that are not persons associated with special relations with the forcibly liquidated bank are satisfied;

7) in the seventh place, the debt on taxes, fees and other mandatory payments to the budget, as well as on the return of loans issued at the expense of the Republican budget and the National Fund of the Republic of Kazakhstan shall be repaid;

8) in the eighth turn, settlements with other creditors shall be made in accordance with the laws of the Republic of Kazakhstan, including the claims of creditors on obligations secured by the pledge of the property of the forcibly liquidated bank, in the part exceeding the amount of the insurance payment made to it in accordance with the third turn;

9) in the ninth turn, the claims of creditors-individuals and legal entities that are persons related with the forcibly liquidated bank by special relations shall be satisfied, in part of the amount not covered by the organization, carrying out obligatory guarantee of deposits, due to compensation for the guaranteed deposits;



10) in the tenth turn, settlements shall be made on the subordinated debt and perpetual financial instruments of forcibly liquidated bank.

4. The claims of each priority shall be satisfied after the full satisfaction of the claims of the previous turn.

The creditor's claim with its consent may be settled by the means that do not contradict the legislation of the Republic of Kazakhstan, including in the monetary form and (or) through the transfer of property in kind.

When satisfying the claims of the creditors of one line, the money and (or) other property of the liquidated bank shall be distributed among the creditors of this line proportionally to the amounts of claims, subject to satisfaction.

**Footnote. Article 74-2 is in the wording in the Law of the Republic of Kazakhstan dated 23.12.2005 No 107 (the order of enforcement See Art. 2 of the Law No 107); as amended by the Laws of the Republic of Kazakhstan dated 12.02.2009 No 133 -IV ( the order of enforcement see Art. 2); dated 21.06.2013 No 106 -V (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 16.11.2015 № 403-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 16.11.2015 № 406-V (shall be enforced from 01.07.2017); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 06.05.2020 № 323-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication); dated 27.06.2022 № 129-VII (effective after ten calendar days after the date of its first official publication); dated 12.07.2022 № 138-VII (shall be enforced upon expiry of sixty calendar days after its first official publication).**

#### **Article 74-3. Compulsory reorganization of a bank. Rehabilitation procedures**

1. A compulsory reorganization of a bank shall be carried out under the court's decision in accordance with the acting legislation, taking into account the particularities, provided by this Law.

The rehabilitation procedure against the bank shall be carried out under the court's decision as part of the measures for the compulsory reorganization of the bank in order to restore its solvency and (or) enable the bank to implement the conditions and requirements, stipulated by the legislation of the Republic of Kazakhstan.

2. The court shall be entitled to make a decision on the compulsory reorganization of the bank or conduction of the rehabilitation procedures for the bank only on the basis of the relevant determination of the authorized body.

The main condition for the compulsory reorganization of the bank, the rehabilitation procedures shall be the return by the bank of all the deposits to the interested persons, within one year from the date of the decision making on the compulsory reorganization.

Failure to perform this condition shall entail compulsory liquidation of the bank.

2-1. If it is possible to restore its solvency and (or) eliminate the revealed shortcomings, the bank shall have the right to file a petition to the court for the rehabilitation procedure in

connection with considering an issue on the compulsory reorganization of the bank. The petition of the bank shall be attached with the bank's rehabilitation plan.

One copy of the petition with the attached documents shall be submitted to the authorized body.

2-2. A rehabilitation plan of the bank shall be subject to the prior coordination with the authorized body and be approved by the court within ten days from the date of its submission. The changes in the bank rehabilitation plan shall be permitted with the consent of the authorized body under the court decision.

2-3. The duration of the rehabilitation procedure in respect of the bank shall not exceed six months. The date of commencement and completion of the rehabilitation procedure shall be defined by the court. The bank rehabilitation plan, approved by the court shall be the document mandatory for execution by the bank and its officials.

2-4. The rehabilitation procedure shall be carried out by the bank under the control of the authorized body. The bank's activities during the rehabilitation procedure shall be carried out in the usual manner taking into account the requirements of this Article.

3. If the court makes a decision on the compulsory reorganization of the bank (irrespective of the reasons for initiation of proceedings), the reorganization shall be carried out by the special administrator (authorized to manage) of the bank, except for the cases, provided in paragraphs 2-1 – 2-4 of this Article.

The special administrator (authorized to manage) of the bank shall be obliged to inform monthly the court and the bank creditors about his activities.

4. A third person, involved in the bank's reorganization in connection with the merger of the bank with another commercial entity or affiliation, shall submit the required documents (data) to the special administrator (appointed to manage), reasoning his (their) financial viability and feasibility of the bank's reorganization.

5. The compulsory reorganization of the bank shall be carried out in the order, specified by the court and in accordance with the schedule and the action plan, approved by it.

6. A report of the special administrator (authorized to manage) of the bank on completion of the compulsory reorganization of the bank shall be approved by the court.

7. Within five days after the enforcement of the official document, confirming the performed bank's reorganization within the named court procedures, the organization that is the successor of the bank shall be obliged to ensure the publication of the relevant information in two national newspapers.

8. The costs, associated with the compulsory reorganization of the bank, shall be covered by its funds.

9. Other issues of the compulsory reorganization of the bank and rehabilitation procedures against it shall be defined by the regulatory legal acts of the authorized body.

**Footnote. Article 74-3 as amended by the Law of the Republic of Kazakhstan dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004).**

#### **Article 74-4. Supervisory powers of the authorized body in the process of the banks' liquidation**

1. In order to supervise the activities of the liquidation commission of the voluntarily and compulsorily liquidated banks, including for the reason of bankruptcy, the authorized body shall be entitled:

1) to receive the reports on the work accomplished from the liquidation commissions, and if necessary the additional information;

2) to establish the form, timing and periodicity of submission of the reports and additional information by the liquidation commissions;

3) to conduct inspections of the liquidation commissions in the order, established by the Laws of the Republic of Kazakhstan;

4) upon identification in the activity of liquidation commissions of deficiencies and (or) risks that may lead to a situation threatening the interests of depositors and (or) the creditors, of violations of requirements of the legislation of the Republic of Kazakhstan, rights and legitimate interests of creditors to issue obligatory for execution by liquidation commissions of written orders on elimination of the identified deficiencies and (or) risks in the activity of liquidation commissions, violations and (or) causes and the conditions, promoting to commit them in the established term, and (or) submission of the action plan in established term.

The action plan, submitted within the term, established by a written instruction, shall specify the descriptions of violations, causes that led to their occurrence, a list of planned activities, their terms of implementation, and the responsible officials.

An appeal against a written order of the authorized body shall be carried out in accordance with the procedure established by the laws of the Republic of Kazakhstan. Appeal against a written order of the authorized body shall not suspend its execution;

5) in case of non-execution by the liquidation commission within the established term of the instruction to replace the members of the liquidation commission or to require their replacement in case of voluntary liquidation of the bank, to apply the measures, provided by the legislation of the Republic of Kazakhstan, as well as to apply to the court or the prosecution bodies for protection of rights and legitimate interests of creditors;

6) to establish particularities and the order of formation and approval of the cost estimates of the liquidation expenses;

7) to define the requirements for implementation of the rules by the liquidation commissions for keeping the money in cash-desks, making of incoming and outgoing cash transactions, cash records, expenditure of cash, cash balance limit, as well as the timing of delivery of cash to the current account of the liquidation commission.

2. The authorized body shall be entitled to receive the necessary information from banks, in respect of which the court is considering a case on mandatory termination of their activities

3. In the event if the liquidation commission violates the legislation of the Republic of Kazakhstan, the chairman, the head of the liquidation commission's department shall be liable in accordance with the Laws of the Republic of Kazakhstan.

Footnote. Article 74-4 as amended by the Law of the Republic of Kazakhstan dated 2 March, 2001 No 162 (see Art. 2); in the new edition – by the Law of the Republic of Kazakhstan dated 10 July, 2003 No 483 (shall be enforced from 1 January, 2004); dated 23 December, 2005 No 107 (the order of enforcement see Article 2 of the Law No 107); the Law of the Republic of Kazakhstan dated 31 January, 2006 No 125; dated 28.12.2011 No 524 -IV ( shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 24.11.2015 № 422-V (shall be enforced from 01.01.2016); dated 02.07.2018 № 168-VI (shall be enforced 01.01.2019); dated 29.06.2020 № 351-VI (shall come into force from 01.07.2021).

#### **Article 74-5. Termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan**

1. Termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan shall be carried out in accordance with this Law and other regulatory legal acts of the Republic of Kazakhstan.

Termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan may be carried out:

1) by decision of a non-resident bank of the Republic of Kazakhstan on the basis of the permission of the financial supervisory authority of the state in which the non-resident bank of the Republic of Kazakhstan is a resident, or a statement by the financial supervision authority of the relevant state that such permission under the legislation of a non-resident bank of the Republic of Kazakhstan is not required, subject to the permission of the authorized body (voluntary termination of activities);

2) on the basis of a decision of an authorized body to revoke a license or a court decision in cases provided for in paragraph 4 of this Article (forced termination of activities).

2. In order to ensure the interests of creditors and make decisions with their participation in the procedures for the voluntary and forced termination of the activities of branches of non-resident banks of the Republic of Kazakhstan, a committee of creditors shall be created.

The composition of the committee of creditors voluntarily or forcibly terminating the activities of a branch of a non-resident bank of the Republic of Kazakhstan shall be approved by the authorized body on the proposal of the liquidation commission of a branch of a non-resident bank of the Republic of Kazakhstan. The specifics of the formation and activities of the committee of creditors shall be established by the regulatory legal acts of the authorized body.

3. After the non-resident bank of the Republic of Kazakhstan makes a decision to voluntarily terminate the activities of a branch of a non-resident bank of the Republic of

Kazakhstan, a branch of a non-resident bank of the Republic of Kazakhstan shall be obliged to take measures to return deposits of individuals by their direct payment or their transfer to a bank or branch of a non-resident bank of the Republic of Kazakhstan that is a member of the mandatory deposit insurance system.

A non-resident bank of the Republic of Kazakhstan shall have the right to apply to the authorized body with a request for permission to voluntarily terminate the activities of a branch of a non-resident bank of the Republic of Kazakhstan after the return of deposits of individuals and (or) transfer to a bank or branch of a non-resident bank of the Republic of Kazakhstan, which are members of the mandatory deposit insurance system.

The application shall be accompanied by a list of measures on the timing and stages of preparation of a branch of a non-resident bank of the Republic of Kazakhstan for the termination of its activities, approved by the relevant authority of a non-resident bank of the Republic of Kazakhstan, a report on assets and liabilities, indicating the sufficiency of funds of a branch of a non-resident bank of the Republic of Kazakhstan for the settlement of its obligations, and other necessary information, the list of which is established by the regulatory legal act of the authorized body.

The procedure for issuing permission for the voluntary termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan, as well as the return of deposits of individuals, their transfer to a bank or branch of a non-resident bank of the Republic of Kazakhstan that are members of the system mandatory guarantee of deposits, shall be determined by the regulatory legal act of the authorized body.

Voluntary termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan shall be carried out in the manner prescribed by paragraphs 2, 2-1 and 5 of Article 69 of this Law.

Upon receipt of permission for voluntary termination of activities, the branch of a non-resident bank of the Republic of Kazakhstan shall create a liquidation commission.

The specifics of the activities of liquidation commissions voluntarily terminating the activities of branches of non-resident banks of the Republic of Kazakhstan shall be determined by the regulatory legal acts of the authorized body.

The liquidation commission shall be obliged to submit the liquidation report of a branch of a non-resident bank of the Republic of Kazakhstan to the authorized body within seven calendar days after the approval of the liquidation report. The authorized body shall make a decision on the completion of the procedure for the voluntary termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan.

Upon completion of the procedure for the voluntary termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan, the liquidation commission shall be obliged, in accordance with the established procedure, to hand over the documents for storage in the archive and to notify thereof the authorized body.

Satisfaction of claims of creditors of a branch of a non-resident bank of the Republic of Kazakhstan and all expenses associated with the voluntary termination of activities of a branch of a non-resident bank of the Republic of Kazakhstan shall be made only at the expense of a non-resident bank of the Republic of Kazakhstan, except for the assets of a branch of a non-resident bank of the Republic of Kazakhstan taken as a reserve.

Assets of a branch of a non-resident bank of the Republic of Kazakhstan accepted as a reserve shall be used by a non-resident bank of the Republic of Kazakhstan after the claims of all creditors of a branch of a non-resident bank of the Republic of Kazakhstan are satisfied.

4. The forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan shall be carried out in connection with the revocation of a license to conduct banking and other operations of a branch of a non-resident bank of the Republic of Kazakhstan by the authorized body on the grounds provided for by this Law, including in connection with the decision of the competent authority of the state, of which the non-resident bank of the Republic of Kazakhstan is a resident, to revoke a banking license of a non-resident bank of the Republic of Kazakhstan and (or) forced liquidation (termination of activities) of a non-resident bank of the Republic of Kazakhstan.

The forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan shall also be exercised by the court in connection with the application (claim) of authorized state bodies, individuals or legal entities to terminate the activities of a branch of a non-resident bank of the Republic of Kazakhstan on other grounds provided for by the laws of the Republic of Kazakhstan.

The court decision on the forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan shall be sent to the authorized body for the procedure for terminating the activities of a branch of a non-resident bank of the Republic of Kazakhstan in accordance with the procedure established by this article. From the date of entry into force of the court decision on the forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan on the grounds specified in part two of this paragraph, the branch of a non-resident bank of the Republic of Kazakhstan shall be revoked a license for banking and other operations.

5. From the date of revocation of a license to conduct banking and other operations of a branch of a non-resident bank of the Republic of Kazakhstan, the authorized body shall appoint a liquidation commission of a branch of a non-resident bank of the Republic of Kazakhstan, which carries out the procedure for the forced termination of activities of a branch of a non-resident bank of the Republic of Kazakhstan.

The liquidation commission of a branch of a non-resident bank of the Republic of Kazakhstan forcibly terminating its activities shall take measures to ensure settlements with its creditors.

From the date of revocation of a license to conduct banking and other operations of a branch of a non-resident bank of the Republic of Kazakhstan:

1) all operations on bank accounts of clients and of a branch of a non-resident bank of the Republic of Kazakhstan itself shall be terminated, except for cases related to:

expenses associated with the forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan, provided for by the regulatory legal acts of the authorized body;

crediting money received in favor of a branch of a non-resident bank of the Republic of Kazakhstan;

return of money received and received in favor of persons whose bank accounts are closed, as well as money received and received according to erroneous instructions;

expenses for the execution of clients' instructions for transferring money received to their bank accounts after the license of a branch of a non-resident bank of the Republic of Kazakhstan is revoked, provided that the client does not have a debt to a non-resident bank of the Republic of Kazakhstan or the client repays the existing debts to a non-resident bank of the Republic of Kazakhstan;

2) the powers of executives of a branch of a non-resident bank of the Republic of Kazakhstan shall be terminated, executives, and, if necessary, other employees of a branch of a non-resident bank of the Republic of Kazakhstan, are suspended from work and dismissed in accordance with the labor legislation of the Republic of Kazakhstan;

3) founders (participants), bodies of a non-resident bank of the Republic of Kazakhstan, executives shall not have the right to dispose of the property of a non-resident bank of the Republic of Kazakhstan located in the territory of the Republic of Kazakhstan;

4) collection of money from bank accounts of a branch of a non-resident bank of the Republic of Kazakhstan at the request of creditors, state revenue authorities, including those subject to satisfaction in an indisputable manner, as well as foreclosure on the property of a non-resident bank of the Republic of Kazakhstan, located on the territory of the Republic of Kazakhstan, shall not be allowed;

5) execution of earlier decisions of courts in respect of a branch of a non-resident bank of the Republic of Kazakhstan shall be suspended;

6) obligations to repay the principal debt, interest and penalties (fines, penalties) shall be fulfilled by the debtors of a branch of a non-resident bank of the Republic of Kazakhstan in accordance with the concluded bank loan agreements and other transactions.

The procedure for the forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan shall be carried out in accordance with paragraphs 3, 4, 4-1, 5 and 6 of Article 73 и Article 74-2 of this Law.

Satisfaction of the requirements of creditors of a branch of a non-resident bank of the Republic of Kazakhstan and all expenses associated with the forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan shall be made



only at the expense of a non-resident bank of the Republic of Kazakhstan. resident bank of the Republic of Kazakhstan, including assets of a branch of a non-resident bank of the Republic of Kazakhstan taken as a reserve.

Financing expenses by the authorized body related to the forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan, with the exception of expenses related to the remuneration of employees of the authorized body included in the liquidation commission of a branch of a non- resident bank of the Republic of Kazakhstan, shall be prohibited.

The procedure for appointing and dismissing liquidation commissions forcibly terminating the activities of branches of non-resident banks of the Republic of Kazakhstan, the requirements for the chairman and members of the liquidation commission, as well as the procedure for forcibly terminating the activities of a branch of a non-resident bank of the Republic of Kazakhstan and requirements for the work of liquidation commissions shall be determined by the regulatory legal acts of the authorized body.

The rights and obligations of the chairman and member of the liquidation commission, including the right to remuneration, the scope of powers to manage the affairs and property of a forcibly terminating of a branch of a non-resident bank of the Republic of Kazakhstan shall be regulated by the regulatory legal acts of the authorized body and the agreement concluded with them by the creditors' committee, taking into account the requirements established by the legislation of the Republic of Kazakhstan.

The monthly amount of remuneration paid to the chairman, members of the liquidation commission of a branch of a non-resident bank of the Republic of Kazakhstan and other involved employees should not exceed for each of them the amount of ten times the minimum wage established by the law on the republican budget and the current as of January 1 of the relevant financial year.

The liquidation bankruptcy assets of a branch of a non-resident bank of the Republic of Kazakhstan shall be formed in accordance with the procedure determined by the regulatory legal act of the authorized body.

The liquidation bankruptcy assets of a branch of the Islamic non-resident bank of the Republic of Kazakhstan shall not include property acquired with money raised under an investment deposit agreement. The specified property, as well as liabilities on investment deposits, shall be subject to transfer by the liquidation commission to another Islamic bank or branch of the Islamic non-resident bank of the Republic of Kazakhstan.

The procedure for selection of an Islamic bank, a branch of the Islamic of a non-resident bank of the Republic of Kazakhstan and transferring to them the property acquired at the expense of money raised under an investment deposit agreement, and obligations on investment deposits of an Islamic branch of a non-resident forcibly terminating its activities bank of the Republic of Kazakhstan shall be established by the regulatory legal act of the authorized body.

To satisfy the requirements of creditors of a branch of a non-resident bank of the Republic of Kazakhstan, the liquidation commission of the forcibly terminating activity of a branch of a non-resident bank of the Republic of Kazakhstan shall have the right to use the assets of a branch of a non-resident bank of the Republic of Kazakhstan, including those accepted as a reserve, and money in bank accounts opened for the activities of a branch of a non-resident bank of the Republic of Kazakhstan.

In case of insufficiency of assets of a branch of a non-resident bank of the Republic of Kazakhstan, including those accepted as a reserve, the non-resident bank of the Republic of Kazakhstan shall satisfy the claims of creditors of a branch of a non-resident bank of the Republic of Kazakhstan in accordance with a written commitment previously submitted to the authorized body in accordance with subparagraph 12) of paragraph 2 of Article 13-1 of this Law.

The authorized body shall approve the liquidation report and decides on the completion of the procedure for the forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan.

Upon completion of the procedure for the forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan, the liquidation commission shall be obliged, in accordance with the established procedure, to hand over the documents for storage in the archive and notify thereof the authorized body.

After deregistration of a branch of a non-resident bank of the Republic of Kazakhstan, the liquidation commission of the forcibly terminating of a branch of a non-resident bank of the Republic of Kazakhstan, within five working days, shall submit to the authorized body a copy of the certificate of deregistration of a branch.

6. In case of revocation of a license to conduct banking and other operations of a branch of a non-resident bank of the Republic of Kazakhstan on the grounds of revocation of a license of a non-resident bank of the Republic of Kazakhstan to conduct banking activities and (or) forced liquidation (termination of activities) of a non-resident bank of the Republic of Kazakhstan, the procedure for the forced termination of the activities of a branch of a non-resident bank of the Republic of Kazakhstan shall be carried out taking into account the following specifics:

- 1) provisions of part fourteen of paragraph 5 of this Article shall not apply;
- 2) satisfaction of the requirements of creditors of a branch of a non-resident bank of the Republic of Kazakhstan shall be carried out by the liquidation commission of a branch of a non-resident bank of the Republic of Kazakhstan, which forcibly terminates the activities in accordance with Article 74-2 of this Law at the expense of the assets of a branch of a non-resident bank of the Republic of Kazakhstan, including those accepted as a reserve, and money on bank accounts opened for the activities of a branch of a non-resident bank of the Republic of Kazakhstan;

3) in case of insufficiency of assets of a branch of a non-resident bank of the Republic of Kazakhstan, including those accepted as a reserve, and money in bank accounts opened for the activities of a branch of a non-resident bank of the Republic of Kazakhstan, the satisfaction of the requirements of creditors of a branch of a non-resident bank of the Republic of Kazakhstan shall be carried out in the manner prescribed by the legislation of the state of which the non-resident bank of the Republic of Kazakhstan is a resident.

The exchange of information between the authorized body and the financial supervisory authority of the state, the resident of which is the non-resident bank of the Republic of Kazakhstan, on the progress and results of the liquidation procedure of a non-resident bank of the Republic of Kazakhstan shall be carried out on the basis and in the manner prescribed by the agreement, specified in subparagraph 3) of paragraph 1 of Article 13-1 of this Law.

7. The authorized body shall exercise control over the activities of liquidation commissions voluntarily and forcibly terminating the activities of branches of non-resident banks of the Republic of Kazakhstan in accordance with Article 74-4 of this Law.

**Footnote. Chapter 9 is added with Article 74-5 in accordance with the Law of the Republic of Kazakhstan dated 02.01.2021 № 399-VI (shall come into force upon expiration of ten calendar days after the date of its first official publication).**

### **Section III. Final provisions Chapter 9-1. Responsibility for violations, related to the banking activities**

**Footnote. Chapter 9-1 is introduced by the Law of the Republic of Kazakhstan dated 29 June, 1998 No 236; Is excluded by the Law of the Republic of Kazakhstan dated 10 July, 2003 No 483 (shall be enforced from 1 January 2004).**

### **Chapter 10. Final and transitional provisions**

**Footnote. The title of Chapter 10 is in the wording by the Law of the Republic of Kazakhstan dated 19 February, 2007 No 230 (the order of enforcement see Article 2).**

#### **Article 75. The scope of this Law**

1. The provisions of this Law shall apply to all banks, operating in accordance with the legislation of the Republic of Kazakhstan, including those, established under a special order - on the basis of the separate legislative and normative acts, governing the initial phase of their establishment, as well as the entities that are the direct and indirect participants of the banks.

2. The legal status, the procedure for the creation, licensing, regulation and termination of the activities of organizations carrying out certain types of banking operations, including the list of types of banking operations permitted for each of them, the grounds for issuing licenses to them for conducting banking operations and possible restrictions on their activities

, are established by this Law and other laws of the Republic of Kazakhstan, and in cases stipulated by the laws of the Republic of Kazakhstan, regulatory legal acts of the authorized body and the National Bank of the Republic of Kazakhstan .

The organizations that are the subdivisions of the state bodies shall be entitled to conduct banking transactions exclusively to and at the expense of the state budget, without the right to delegate their implementation to the third parties, in accordance with the regulatory legal acts of the Government of the Republic of Kazakhstan, defining the order of establishment, operation, management and termination of the activities of the above-mentioned organizations .

2-1. For banks and other legal entities carrying out activities within the framework of a special regulatory regime introduced in accordance with the Law of the Republic of Kazakhstan "On state regulation, control and supervision of the financial market and financial organizations", the norms of this Law and regulatory legal acts of the authorized body, the National Bank of the Republic of Kazakhstan , adopted in accordance with this Law, are distributed within the limits stipulated by the conditions of the special regulatory regime.

The provisions of part one of this paragraph shall not be applicable to branches of non-resident banks of the Republic of Kazakhstan

*3. Is excluded by the Law of the Republic of Kazakhstan dated 05.07.2012 No 30 -V ( shall be enforced upon expiry of ten calendar days after its first official publication.)*

4. The provisions of this Law, being applicable to banks (except for Articles 1, 3, 5, 5-1, 10, 10-1, 11-1, 11-2, 13, 14, 15, 16, 16-1, 16-2, 16-3, 17, 17-1, 17-2, 18, 19, 21, 23, 24, 25, 28, 47-1, 48-1, 52-4, 52-7, 52-9, 52-13, 52-14, 52-15, 52-16, 52-17, 54-1, 59-1, 59-2, 59-3, 60, 60-1, 61, 61-2, 61-4, 61-9, 61-10, 61-11, 61-12, 61-13, 62, 63, 64, 65, 66, 67, 67-1, 68, 68-1, 70, 71, 72, 74, 74-1, 74-3, 76-1, 78) shall be applicable to the branches of non-resident banks of the Republic of Kazakhstan subject to the specifics established by this Law.

The powers of the authorized body and of the National Bank of the Republic of Kazakhstan in the field of regulation of legal relations related to banks, including the powers to adopt regulatory legal acts in order to implement of this Law, provided for by Articles 8-1, 20, 26, 27, 30, 31, 31-1, 34, 35, 36, 39, 40, 40-5, 45, 45-1, 50, 52-12, 56, 57, 61-5, 61-6, 61-7, 73 of this Law, shall apply to legal relations associated with branches of non-resident banks of the Republic of Kazakhstan.

**Footnote. Article 75 is amended by the Laws of the Republic of Kazakhstan, dated 11 July, 1997 No 154; dated 2 March, 2001 No 162 (see Art. 2); dated 10 July 2003 No 483 ( shall be enforced from 1 January, 2004); dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication.); dated 02.07.2018 № 168-VI ( shall be enforced upon expiry of ten calendar days from the date of its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020): dated 24.11.2015 № 422-V (shall come into force from 16.12.2020); dated 02.01.2021 № 399-VI (**

shall come into force upon expiration of ten calendar days after the date of its first official publication).

**Article 76.** *(Article 76 is excluded by the Law of the Republic of Kazakhstan dated 29 June, 1998 No 236)*

**Article 76-1. Transitional provisions**

The requirements of the part three of paragraph 1-1 of Article 57 of this Law shall not apply during the audit of the participants of the banking conglomerate upon the results of 2005 and 2006.

Footnote. Chapter 10 is supplemented by Article 76-1 by the Law of the Republic of Kazakhstan dated 19 February, 2007 No 230 (the order of enforcement see Article 2).

**Article 77. Appealing against actions (inaction) of the authorized body and the National Bank of the Republic of Kazakhstan**

Footnote. The heading of Article 77 as amended by the Law of the Republic of Kazakhstan dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).

Actions (inaction) of the authorized body and of the National Bank of the Republic of Kazakhstan in the field of banking regulation can be appealed in the manner prescribed by the laws of the Republic of Kazakhstan.

Appealing the decision of the authorized body or the National Bank of the Republic of Kazakhstan on the application of supervisory response measures (except for recommendatory supervisory response measures) and (or) sanctions, on the classification of the bank as a bank with an unstable financial position that poses a threat to the interests of its depositors and creditors and (or) threat stability of the financial system, on the classification of the bank as insolvent banks, on the application of settlement measures to it, as well as the actions of the temporary administration to manage the bank (temporary bank manager) at the stage of conservation, the temporary administration (temporary administrator) of the bank until the decision comes into force the court on the compulsory liquidation of the bank does not suspend the execution of the appealed decision or actions (inaction).

In case of invalidation of a transaction concluded on the basis of a decision of the authorized body and (or) a party to which is the temporary administration for the management of the bank (temporary bank manager) at the stage of conservation, the temporary administration (temporary administrator) of the bank until the entry into force of the court decision on forced liquidation bank, the parties are not allowed to return everything received under this transaction.

Footnote. Article 77 is in the wording by the Law of the Republic of Kazakhstan dated 05.07.2012 No 30 -V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.07.2018 № 168-VI (shall be enforced from 01.01.2019); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020); dated 29.06.2020 № 351-VI (shall come into force from 01.07.2021).

**Article 78. The enforcement of this Law**

1. This Law enters into force from the date of its publication.

2. From the date of enforcement of this Law in case of violation of the order of formation of the authorized capital of the banks, made during the period of validity of the Law of the Republic of Kazakhstan dated 14 April 1993 "On banks in the Republic of Kazakhstan", the sanctions, provided for in this Law, shall be applied to the banks.

**Footnote. Article 78 as amended by the Law of the Republic of Kazakhstan dated 11 July, 1997 No 154.**

*The President  
of the Republic of Kazakhstan*

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