

**LAW  
OF THE REPUBLIC OF KAZAKHSTAN**

**On the National Bank of the Republic of Kazakhstan**

Chapter 1.  
GENERAL PROVISIONS

ARTICLE 1. Banking system of the Republic of Kazakhstan

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

The National Bank of the Republic of Kazakhstan (the National Bank of Kazakhstan) shall be the central bank of the Republic of Kazakhstan and represents the upper (first) tier of the banking system of the Republic of Kazakhstan.

The National Bank of Kazakhstan shall represent, within the limits of its authority, the interests of the Republic of Kazakhstan in relations with central banks and banks of other countries, with international banks, and other financial and lending organizations.

In performing its tasks the National Bank of Kazakhstan should not be motivated by the goal of earning a profit.

The types, legal status, and procedure for the creation, functioning, and liquidation of second-tier banks shall be determined by banking and other legislation of the Republic of Kazakhstan.

ARTICLE 2. Legal basis for operation of the National Bank of Kazakhstan

The National Bank of Kazakhstan shall be governed in its operations by the Constitution, this Law, as well as the Law of the President of the Republic of Kazakhstan "On Banks and Banking activity in the Republic of Kazakhstan," other legislative acts of the Republic, acts of the President of the Republic of Kazakhstan, and international treaties (agreements) concluded by the Republic of Kazakhstan.

ARTICLE 3. Accountability of the National Bank of Kazakhstan

The National Bank of Kazakhstan shall be accountable to the President of the Republic of Kazakhstan.

Accountability to the President of the Republic of Kazakhstan shall mean:

the President of the Republic of Kazakhstan shall appoint the Chairman of the National Bank of Kazakhstan with the consent of Senate of the Parliament of the Republic of Kazakhstan, and shall remove him from office;

the President of the Republic of Kazakhstan shall appoint and remove from office the Deputies of the Chairman of the National Bank of Kazakhstan on recommendation of the Chairman of the National Bank of Kazakhstan;

the President of the Republic of Kazakhstan shall approve the structure and overall staff size, payment system of the National Bank of Kazakhstan;

the President of the Republic of Kazakhstan shall approve the Statute on the National Bank of Kazakhstan;

the annual report of the National Bank of Kazakhstan shall be approved by the President of the Republic of Kazakhstan;

the President of the Republic of Kazakhstan shall approve the conceptual design of banknotes and coins in the national currency, the Kazakhstani tenge;

the National Bank of Kazakhstan shall provide information requested by the President of the Republic of Kazakhstan concerning matters that fall under its authority.

#### ARTICLE 4. Regulatory legal acts of the National Bank of Kazakhstan

The National Bank of Kazakhstan shall publish regulatory legal acts concerning the matters that fall under its authority, on the basis and in execution of the laws of the Republic of Kazakhstan; compliance with such acts shall be mandatory for all banks and organizations carrying out certain types of banking operations, for their customers, and for other legal entities and individuals on the territory of the Republic of Kazakhstan.

Regulatory legal acts of the National Bank of Kazakhstan shall be published in the official publications – “*Kazakstan Ultyk Bankinin Khabarshysynda*” and “*Bulletin of the National Bank of the Republic of Kazakhstan*” in the Kazakh and Russian languages.

ARTICLE 5. Repealed in accordance with the Law of the Republic of Kazakhstan № 154-1, dated 11.06.97

#### ARTICLE 6. The National Bank of Kazakhstan as a legal entity

The National Bank of Kazakhstan shall have an organizational legal form of a legal entity; it shall have an independent balance sheet, and shall comprise a single structure together with its branch offices, representative offices, and organizations.

The central administration of the National Bank of Kazakhstan shall be located in the city of Almaty. The National Bank of Kazakhstan may open branch offices and representative offices in the Republic of Kazakhstan and outside its borders.

### Chapter 2

#### MAIN GOAL, TASKS, FUNCTIONS, AND POWERS OF THE NATIONAL BANK OF KAZAKHSTAN

#### ARTICLE 7. The Main Goal and Tasks of the National Bank of Kazakhstan

The main goal of the National Bank of Kazakhstan shall be to ensure stability of prices in the Republic of Kazakhstan.

For accomplishment of the main goal, the National Bank of Kazakhstan shall be assigned the tasks hereunder:

- 1) developing and implementing of the state's monetary policy;
- 2) supporting functional operation of payment systems;
- 3) carrying out foreign exchange regulation and foreign exchange control;
- 4) helping to support the financial system's stability.

ARTICLE 8. Functions, powers, and rights of the National Bank of Kazakhstan  
The National Bank of Kazakhstan:

a) shall implement the government monetary policy in the Republic of Kazakhstan by regulating the money supply, it shall be the sole entity allowed to issue banknotes and coins in the territory of the Republic of Kazakhstan, and it shall issue securities.

Securities issued by the National Bank of Kazakhstan shall be government securities and the National Bank of Kazakhstan shall bear liabilities for them;

b) shall participate in servicing the public debt of the Republic of Kazakhstan government, in consultation with the government, and shall service the public debt of the National Bank of Kazakhstan;

c) Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

d) Repealed in accordance with the Law Of the Republic of Kazakhstan № 483-II 10.07.03

e) shall have the right to grant credits to banks and also to legal entities that have opened bank accounts with the National Bank of Kazakhstan on the basis of a decision by the Supervisory Board of the National Bank of Kazakhstan. It shall be the lender of last resort for banks;

shall have the right to restructure debts owed by banks and other organizations to the National Bank of Kazakhstan on credits granted to them, following the procedure and under the conditions determined by the Supervisory Board of the National Bank of Kazakhstan;

e-1) shall specify the procedure of the following kinds of banking operations: opening and maintaining correspondent accounts of banks and of organizations engaging in certain banking operations; opening and maintaining metal accounts of individuals and legal entities showing the physical quantity of refined precious metals belonging to a particular person; cash operations; transfer operations; recordkeeping operations; collecting and shipping banknotes, coins, and valuables; organizing exchange operations with foreign exchange; issuing checkbooks; opening (drawing) and validating letters of credit and performing obligations thereon, as well as performs interbank clearing; issuing and use of payment cards and check books;

e-2) in cases established by the legislative acts of the Republic of Kazakhstan, issues a conclusion to the authorized state body for regulation and supervision of the financial market and financial organizations (henceforth – the authorized body) regarding the possibility for the authorized body to issue licenses for certain kinds of banking operations and safe operations for the banks, as well as determines the procedure of issue of such conclusions

f) Repealed in accordance with the Law Of the Republic of Kazakhstan № 483-II dated 10.07.03

f-1) Repealed in accordance with the Law Of the Republic of Kazakhstan № 483-II dated 10.07.03

g) shall regulate fees (interest rates) for credits in the financial market of the Republic of Kazakhstan;

h) shall determine the procedure, system, and form for effecting payments and money transfers in the Republic of Kazakhstan, organize and supervise the

functioning of payment systems to ensure prompt and uninterrupted execution of money transfers between banks and organizations engaging in certain kinds of banking operations in Kazakhstani tenge, and establishes minimum standards requiring banks and organizations engaged in certain kinds of banking operations to ensure the reliability and security of automated systems used by them, at access to the payment systems;

h-1) shall establish regulations for provision of electronic banking services at carrying out of banking operations;

i) shall perform foreign exchange regulation and foreign exchange control in the Republic of Kazakhstan and shall have the right to effect all kinds of foreign exchange operations;

i-1) shall issue licenses for accomplishment of retail trade and services rendering for cash foreign currency as well as to organization of exchange operations with foreign exchange to the legal entities, whose exclusive type of activity is exchange operations with foreign exchange;

i-2) shall issue licenses to organizations engaging in certain kinds of banking operations, and to carry out operations related with the collection of banknotes, coins, and valuables;

i-3) shall establish a minimal amount and procedure of formation of the authorized capital of the legal entities, accomplishing operations basing on the license issued by the National bank of Kazakhstan related with the collection of banknotes, coins, and valuables, and legal entities, whose exclusive type of activity is exchange operations with foreign exchange;

i-4) shall issue a permission or license for state registration in the justice authorities to the legal entities, whose exclusive type of activity is exchange operations with foreign exchange;

j) shall publish regulatory legal acts pertaining to banking activity, accounting, payments and money transfers, and the performance of foreign exchange operations, within the limits of the powers established by legislation, compliance with which shall be mandatory for all banks, organizations engaging in certain kinds of banking operations, and their customers; it shall also supervise compliance with these acts, determines the policy and methodology of the business accounting for the National Bank of Kazakhstan with allowance for international financial reporting standards;

j-1) shall develop and approve, in consultation with the authorized body for regulation of the accounting and financial reporting system, regulatory legal acts concerning the matters of accounting standards and automatization of business accounting, as well as shall carry out control over the compliance of organizations, accomplishing separate types of banking operations basing on the license of the National Bank of Kazakhstan, requirements of accounting reporting and international financial reporting standards;

j-2) shall carry out control over the compliance of all financial organizations of the requirements, presented to the systems, automating business accounting maintaining as well as by means of audits with involving employees of the authorized body;

j-3) shall develop and approve regulatory legal acts on accounting matters, financial reporting and operations automation system, which shall be compulsory for performance by special financial companies as well as shall carry out control over the observance by such companies of the Republic of Kazakhstan legislation on business accounting and financial reporting, international financial reporting standards, as well as requirements presented to the systems, automating business accounting maintaining;

k) shall establish and approve jointly with the authorized body on regulation of the business accounting system and financial reporting, financial reporting standards on the matters, not settled by the international financial reporting standards and not contradicting them, as well as methodological recommendations to them;

k-1) shall establish the list, forms, and submission deadlines of statistical reports on payment balance, external debt, monetary –credit and financial statistics in consultation with the authorized state body in matters falling within its authority and shall carry out the collection of such statistics;

k-2) in consultation with the authorized state body in matters falling within its authority shall establish, jointly with the authorized body, the list, forms meeting international standards, and submission deadlines of financial and other reports of financial organizations and their affiliated persons in cases provided for by legislative acts of the Republic of Kazakhstan, in order to facilitate the performance of its control and supervisory functions;

k-3) shall establish the procedure, forms, and submission deadlines of reports pertaining to foreign exchange regulation and control;

k-4) in consultation with the authorized state body in matters falling within its authority shall establish the requirements on organization of safeguarding and improvement of premises of banks and organizations accomplishing separate types of banking operations, being binding for their performance;

l) with the purpose of organizing payments and money transfers, shall have the right to determine, in consultation with the Republic of Kazakhstan government, the order of priority of payments from bank accounts effected by banks, organizations engaging in certain kinds of banking operations, and all economic agents, unless otherwise stipulated by legislative acts;

m) shall have the right to participate in the creation and activities of organizations that assist the National Bank of Kazakhstan in the performance of its assigned functions and/or are part of infrastructure of the financial market;

m-1) shall have the right to form consultative-advisory bodies of the National Bank of Kazakhstan;

n) shall establish regulations for the accounting, storage, shipment, and collection of cash banknotes and coins, shall participate in arranging for their shipment, storage, and collection, and shall create state reserves of banknotes and coins;

o) shall compile and regularly publish a consolidated balance sheet for banks in the Republic of Kazakhstan and its own balance sheet;

p) shall prepare the country's balance of payments report, international investment position and evaluation of the gross external debt of the country and shall participate in the development of short-range, medium-range, and long-range projected estimates of balance of payment indicators; shall provide for the registration of foreign exchange operations and monitoring of contracts for nongovernmental foreign loans not backed by government guarantees and monitoring of currency operations of non-residents carrying out their activity in the territory of the Republic of Kazakhstan (foreign exchange monitoring);

p-1) shall form and compile the state's monetary-credit and financial statistics;

q) shall have the right to withdraw funds from a customer's bank account if it is determined that the funds were posted in error, and it shall have the right to debit a customer's bank account when it has documents confirming the customer's consent to withdrawal of money from the bank account;

r) shall participate in training and re-training of personnel for the state authorities and financial organizations;

s) shall service the unified treasury account of the Central Authorized Body on execution of the budget;

s-1) shall have the right to obtain from banks, their associations (unions), state bodies, individuals, and legal entities, information it needs for its functions;

s-2) shall perform the rediscounting of bills of exchange in accordance with regulatory legal acts of the National Bank of Kazakhstan;

s-3) shall maintain the Republic of Kazakhstan National Fund under fiduciary management on the basis of a fiduciary management agreement executed between the National Bank of Kazakhstan and the Government of the Republic of Kazakhstan and publishes it in the official press;

s-4) shall maintain fiduciary management of assets transferred on the basis of fiduciary management agreements executed between the National Bank of Kazakhstan and the Government of the Republic of Kazakhstan and other legal entities. Fiduciary management agreements executed between the National Bank of Kazakhstan and the Government of the Republic of Kazakhstan shall be published in official press;

s-5) shall establish the conditions of bank accounts;

s-6) shall establish the rates of the minimal reserve requirements and shall accomplish control over their performance;

s-7) shall establish the quantitative restriction on separate types of bank's operations and bargains;

s-8) without obtaining of appropriate licenses shall carry out banking activity and professional activity in the securities market, determined by the legislative acts of the Republic of Kazakhstan;

s-9) within the limits of its competence, shall apply to the licensees the measures of effect and sanctions for violation of banking and foreign exchange legislation of the Republic of Kazakhstan;

s-10) shall determine the procedure of application and apply to the banks and organizations, accomplishing separate types of banking operations, within the limits of its competence measures of effect and sanctions for violation of banking

and foreign exchange legislation in case of violation by them of regulatory legal acts on the issues of banking activity, accounting, payments and transfer of money, accomplishment of foreign currency operations;

s-11) shall establish for individuals and legal entities the sales price of investment and collection coins;

s-12) shall establish the procedure of securities operations carrying out by the National Bank of the Republic of Kazakhstan;

s-13) in consultation with the central authorized body on performance of the budget shall determine the procedure of carrying of investment operations of the National Fund of the Republic of Kazakhstan;

s-14) shall establish the procedure of conversion and re-conversion of assets of the National Bank of the Republic of Kazakhstan;

s-15) shall establish the procedure of employment of external managers of assets of the National Bank of the Republic of Kazakhstan;

s-16) shall carry out monitoring of offer and demand sources, as well as directions in use of foreign currency in the internal foreign exchange currency market;

t) shall perform other functions and exercise other powers and rights in accordance with the legislation of the Republic of Kazakhstan.

### Chapter 3

## CAPITAL AND RESERVES OF THE NATIONAL BANK OF KAZAKHSTAN

### ARTICLE 9. Authorized capital of the National Bank of Kazakhstan

The authorized capital of the National Bank of Kazakhstan shall belong to the state and shall be created in an amount not less than 20 billion of Kazakhstani tenge by transfers from non-distributed net income earned thereby.

The National Bank of Kazakhstan shall independently exercise the rights of possession, use, and disposition of property on its balance sheet, in accordance with the procedure established by the regulatory legal acts of the National Bank of Kazakhstan.

### ARTICLE 10. Reserve capital, revaluation accounts, and special provision (reserves) of the National Bank of Kazakhstan

The reserve capital of the National Bank of Kazakhstan shall be equal in size to authorized capital, it shall be replenished out of non-distributed net income, and shall be intended solely to provide compensation for losses and reimbursement of losses on operations performed by procedure established by the Supervisory Board of the National Bank of Kazakhstan. The revaluation account for gold and foreign exchange reserves shall be intended for recording unrealized income from their revaluation. The revaluation account for fixed assets shall be intended for recording the results of indexing fixed assets of the National Bank of Kazakhstan.

Expenditures of the National Bank of Kazakhstan shall be used to create special provisions (reserves) against doubtful and bad claims, including credits, deposits, securities, settlement losses, balances on accounts, and other assets,

including unfinished construction, and other claims involving nonmonetary activities of the National Bank of Kazakhstan, as well as payments of a social nature, and undistributed net income shall be used to create general provisions (reserves) for bank assets.

#### ARTICLE 11. Income of the National Bank of Kazakhstan

Undistributed net income of the National Bank of Kazakhstan for a fiscal year shall be defined as the difference between income actually received and expenditures (with the exception of unrealized income charged to the revaluation account for gold and foreign exchange assets) charged to the given fiscal year.

Undistributed net income of the National Bank of Kazakhstan, less the amount of general provisions (reserves) created for bank assets and to the amount of realized income from revaluation account for gold and foreign exchange assets, shall be earmarked for increase of authorized and (or) reserve capital in amounts established by the Supervisory Board of the National Bank of Kazakhstan.

Following approval of the annual report by of the Republic of Kazakhstan National Bank by the President of the Republic of Kazakhstan, the remaining undistributed net income earned shall be transferred to the republican budget with delay to one fiscal year.

In the event that the amount of the reserve capital comprises the amount which is less the amount of the authorized capital, the entire undistributed net income shall be retained in disposal of the National Bank of the Republic of Kazakhstan and shall be directed for replenishment of the reserve capital until it achieves the amount of the authorized capital. In the event the funds of the reserve capital are insufficient to compensate the losses of the fiscal year, such unsecured losses shall be compensated to the National Bank of the Republic of Kazakhstan in full volume at the expense of funds of the state budget with delay to one fiscal year.

### Chapter 4

#### STRUCTURE AND BODIES OF THE NATIONAL BANK OF KAZAKHSTAN. PROCEDURE FOR THEIR FORMATION AND THEIR AUTHORITY

#### ARTICLE 12. Structure and administrative bodies of the National Bank of Kazakhstan

The National Bank of Kazakhstan shall comprise a single centralized structure with a vertical administrative system.

The Supervisory Board and the Board of Directors (Directorate) shall be the administrative bodies of the National Bank of Kazakhstan.

The structure of the National Bank of Kazakhstan shall include the central administration, consisting of departments and other subdivisions, and branch offices, representative offices, and organizations.

#### ARTICLE 13. The Chairman of the National Bank of Kazakhstan

The Chairman of the National Bank of Kazakhstan shall be appointed to a six-year term by the President of the Republic of Kazakhstan, with the approval of Senate of the Parliament.

The Chairman shall act on behalf of and represent without proxy the National Bank of Kazakhstan in relations with government agencies, banks, and financial, international, foreign, and other organizations.

The Chairman of the National Bank of Kazakhstan shall have the power to make operating and executive decisions concerning the activities of the National Bank of Kazakhstan, with the exception of those powers assigned to the Supervisory Board of the National Bank of Kazakhstan under this Law, and to conclude agreements on behalf of the National Bank of Kazakhstan.

The Chairman of the National Bank of Kazakhstan shall bear responsibility for the activity of the National Bank of Kazakhstan.

#### ARTICLE 14. Deputy Chairmen of the National Bank of Kazakhstan

Deputy Chairmen of the National Bank of Kazakhstan shall be appointed to six-year terms, regardless of the term of office of the Chairman of the National Bank of Kazakhstan, by the President of the Republic of Kazakhstan on recommendation of the Chairman of the National Bank of Kazakhstan.

Deputy Chairmen shall represent the National Bank of Kazakhstan without proxy and shall sign documents within the limits of their authority.

#### ARTICLE 15. The Supervisory Board of the National Bank of Kazakhstan and its powers

The Supervisory Board shall be the highest administrative body of the National Bank of Kazakhstan. The principal functions of the Supervisory Board of the National Bank of Kazakhstan shall be:

- a) development and approval of government monetary-credit policy;
- b) approval of regulatory legal acts drafted by the National Bank of Kazakhstan concerning certain issues of banking activity, business accounting, payments and money transfers, circulation of bills, and conduct of foreign exchange operations, and supervision of compliance therewith;
  - b-1) establishment of procedure for issue of powers of attorney for commitment of operations in banks;
- c) determination of the denomination and design of banknotes and coins on the basis of concepts approved by the President of the Republic of Kazakhstan; making decision on issue of banknotes and coins of the national currency of the Republic of Kazakhstan, replacement of banknotes and coins at change of their design or form, as well as establishment of procedure of exchange of old or damaged banknotes and coins;
  - c-1) determination of the theme of the issue, number of manufacture, composition, terms and dates of issues of collection and investment coins;
  - c-2) making decision on coinage of collection coins according to the order of other countries;

c-3) determination of the procedure and redemption of banknotes and coins by the National Bank of Kazakhstan;

d) establishment of the official refinancing rate for operations between the National Bank of Kazakhstan and banks;

e) Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

f) adoption of decisions to issue, suspension of validity and deprivation of licenses to perform collection of banknotes, coins and valuables;

f-1) determination of the conditions for the opening of bank accounts with the National Bank of Kazakhstan by legal entities that are not banks;

f-2) determination of the conditions for restructuring debts owed by banks and other organizations to the National Bank of Kazakhstan on credits granted by the National Bank of Kazakhstan;

f-3) Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II 10.07.03

f-4) approval of requirements presented to the degrees of protection of the bills-of loading paper, produced at the territory or imported to the territory of the Republic of Kazakhstan, as well as technical requirements to the bills-of loading paper;

g) approval of rates of the minimal reserve requirements for banks;

g-1) establishment of the minimal amount and procedure for formation of the authorized capital of the legal entities, carrying out basing on the license issued by the National Bank of the Republic of Kazakhstan, operations on collection, as well as legal entities whose exclusive activity is organization of foreign exchange operations;

h) determination of the basic principles governing the management of gold and foreign exchange assets;

h-1) determination of the activity attributed to the monetary activity;

i) Repealed in accordance with the Law of the Republic of Kazakhstan № 69-III dated 08.07.05

i-1) Repealed in accordance with the Law Of the Republic of Kazakhstan № 165-III dated 05.07.06

j) review, adoption, and submission of the annual report on the operations of the National Bank of Kazakhstan to the President of the Republic of Kazakhstan for approval;

j-1) review, approval, and submission to the President for confirmation, the structure and overall staff size and labor payment system of the National Bank of Kazakhstan and the Statute on the National Bank of Kazakhstan, as well as changes and supplements to them;

j-2) approval of the total amount of funding of the authorized body on representation of its manager;

k) review and approval of the annual consolidated financial report of the National Bank of Kazakhstan;

l) approval of the budget (expenditures estimate) and regulatory legal acts on the procedure for its use, procedure of formation of its authorized and reserve

capital, on the use of its fixed assets and other property of the National Bank of Kazakhstan;

l-1) Repealed in accordance with the Law of the Republic of Kazakhstan № 165-III dated 05.07.06

m) Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

n) determination and approval of working conditions, the labor compensation system and pay scales, and social and personal support for employees of the National Bank of Kazakhstan and its branch offices, representative offices, and organizations;

o) adoption of decisions regarding participation by the National Bank of Kazakhstan in international and other organizations in accordance with this Law;

o-1) adoption of decisions regarding formation of the consultative-advisory bodies of the National Bank of Kazakhstan;

p) approval of the membership of the Board of Directors (Directorate) of the National Bank of Kazakhstan;

q) Repealed in accordance with the Law of the Republic of Kazakhstan № 165-III dated 05.07.06

r) Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

s) approval of the rules of investment operations of the Republic of Kazakhstan National Fund, and confirmation of the report on fiduciary management of the Republic of Kazakhstan National Fund submitted to the Government of the Republic of Kazakhstan;

s-1) approval of the rules for conversion and re-conversion of assets of the National Bank of the Republic of Kazakhstan;

s-2) approval of the rules, determining the procedure of choice of external managers of assets of the National Bank of the Republic of Kazakhstan;

s-3) approval of the rules, determining the procedure of application of measures of effect and sanctions to the banks and organizations, carrying out separate types of banking activity, on issues, regulation of which is attributed to the competence of the National Bank of the Republic of Kazakhstan;

t) annual submission of information on the results of fiduciary management of the Republic of Kazakhstan National Fund to the Parliament of the Republic of Kazakhstan;

u) designation of an official (at a level not below the Deputy to the Chairman of the National Bank of the Republic of Kazakhstan) whose powers shall include current decision-making on fiduciary management of the Republic of Kazakhstan National Fund (authorized representative);

v) establishment of undistributed net income, directed for formation of the authorized and (or) reserve capital in accordance with Article 11 of the present Law;

w) Repealed in accordance with the Law of the Republic of Kazakhstan № 165-III dated 05.07.06

The Supervisory Board of the National Bank of Kazakhstan shall adopt resolutions on matters that fall under its authority.

Members of the Supervisory Board of the National Bank of Kazakhstan shall be responsible for decisions adopted by the Supervisory Board, even if they did not vote in favor of their adoption, but did not immediately declare their opposition to the decision that was adopted.

#### ARTICLE 16. Membership of the Supervisory Board of the National Bank of Kazakhstan

The Supervisory Board of the National Bank of Kazakhstan shall consist of nine members.

The membership of the Supervisory Board of the National Bank of Kazakhstan shall be comprised of the Chairman of the National Bank of Kazakhstan, four officials of the National Bank of Kazakhstan, one representative of the President of the Republic of Kazakhstan, and two representatives of the Government of the Republic of Kazakhstan as well as the manager of the authorized body.

Members of the Supervisory Board of the National Bank of Kazakhstan representing the President of the Republic of Kazakhstan, the Republic of Kazakhstan government, and the National Bank of Kazakhstan shall be appointed and removed from office respectively by the President of the Republic of Kazakhstan, the Republic of Kazakhstan government, and the Chairman of the National Bank of Kazakhstan.

#### ARTICLE 17. Meetings of the Supervisory Board of the National Bank of Kazakhstan

Meetings of the Supervisory Board of the National Bank of Kazakhstan shall be held as needed, but at least once a month.

Special meetings of the Supervisory Board of the Bank of Kazakhstan shall be convened at the request of the Chairman of the National Bank of Kazakhstan or three members of the Supervisory Board.

Members of the Supervisory Board of the National Bank of Kazakhstan shall be notified in a timely manner that a meeting of the Supervisory Board has been scheduled.

Meetings of the Supervisory Board of the National Bank of Kazakhstan shall be chaired by the Chairman of the National Bank of Kazakhstan, and in his absence, by a person serving in his place.

The Supervisory Board shall have the authority to make decisions when at least two-thirds of the Supervisory Board members are present; the Chairman of the National Bank of Kazakhstan, or a person serving in his place, must be among those present.

A decision by the Supervisory Board shall be passed by a simple majority vote of the members. In the event of a tie vote, the Chairman of the National Bank of Kazakhstan shall cast the deciding vote.

The Chairman of the National Bank of Kazakhstan shall have the right to return a decision of the Supervisory Board with his objections within one week's time for

further discussion and another vote. If the Supervisory Board approves the previous decision by a two-thirds majority of all its members, the Chairman of the National Bank of Kazakhstan shall sign the decision.

ARTICLE 18. Resignation and removal from office

The Chairman of the National Bank of Kazakhstan shall have the right to resign after providing the President of the Republic of Kazakhstan with written notice of his intent two months prior to date the resignation is to take effect.

The Chairman of the National Bank of Kazakhstan shall be removed from office by the President of the Republic of Kazakhstan.

Deputies to the Chairman of the National Bank of Kazakhstan shall be removed from office by the President of the Republic of Kazakhstan on recommendation of the Chairman of the National Bank of Kazakhstan.

Deputies to the Chairman of the National Bank of Kazakhstan may resign after providing the President of the Republic of Kazakhstan with written notice of their intent, through the Chairman of the National Bank of Kazakhstan, two months prior to the date the resignation is to take effect.

ARTICLE 19. Board of Directors of the National Bank of Kazakhstan and its powers

The Board of Directors (Directorate) of the National Bank of Kazakhstan shall be the body responsible for the day-to-day management of the National Bank of Kazakhstan.

The Board of Directors shall include the Chairman of the National Bank of Kazakhstan, the Deputy Chairmen, and managers of structural subdivisions of the National Bank of Kazakhstan, on recommendation of the Chairman of the National Bank of Kazakhstan. The membership of the Board of Directors of the National Bank of Kazakhstan shall be confirmed by the Supervisory Board of the National Bank of Kazakhstan.

The Chairman of the National Bank of Kazakhstan shall preside at meetings of the Board of Directors. On his instructions, a Deputy Chairman of the National Bank of Kazakhstan may chair a meeting of the Board of Directors.

The Board of Directors, in accordance with this Law, shall adopt decisions concerning all matters that fall under the authority of the National Bank of Kazakhstan, with the exception of those matters that fall within the competency of the Supervisory Board and Chairman (or Deputies to the Chairman) of the National Bank of Kazakhstan.

The Board of Directors shall issue resolutions on matters that fall within its competency.

The Board of Directors shall specify the structure of the annual consolidated financial reports of the National Bank of Kazakhstan.

ARTICLE 20. Branch offices, representative offices, and organizations of the National Bank of Kazakhstan

Branch offices and representative offices of the National Bank of Kazakhstan shall operate within the limits of the powers established by the National Bank of Kazakhstan.

Organizations of the National Bank of Kazakhstan shall be legal entities, and they shall be created and shall terminate their operations in accordance with legislative acts, taking into account the specific requirements established by this Law.

The National Bank of Kazakhstan shall adopt decisions regarding the creation and closing of its organizations, it shall act as their founder and the authorized government agency that performs the functions of government property owner with respect to these organizations, including the authority to adopt decisions regarding a change in the legal status of said organizations.

## Chapter 5

### COOPERATION BETWEEN THE NATIONAL BANK OF KAZAKHSTAN AND GOVERNMENT AUTHORITIES

#### ARTICLE 21. Basic principles of cooperation

The National Bank of Kazakhstan shall operate independently, within the limits of the powers assigned to it by legislative acts. Representative and executive government bodies shall not have the right to interfere in the operations of the National Bank of Kazakhstan or its branch offices, representative offices, and organizations in the exercise of the powers assigned to them by law.

#### ARTICLE 22. The Government of the Republic of Kazakhstan and the National Bank of Kazakhstan

The National Bank of Kazakhstan shall coordinate its activities with the Government of the Republic of Kazakhstan. The National Bank of Kazakhstan and the Government of the Republic of Kazakhstan shall be required to inform one another of intended actions and results achieved that are of significance to the country as a whole, and they shall be required to hold regular consultations.

The National Bank of Kazakhstan shall take the government's economic policy into account in its activities and shall facilitate its implementation, provided that doing so is not in conflict with the performance of its principal functions and the implementation of monetary-credit policy.

The Chairman of the National Bank of Kazakhstan or one of the Deputies to the Chairman shall have the right to participate in meetings of the Government with a deliberative vote.

The Government shall not be liable for the obligations of the National Bank of Kazakhstan, just as the National Bank of Kazakhstan shall not be liable for the obligations of the Government, with the exception of those cases in which it assumes such liability.

#### ARTICLE 23. The National Bank of Kazakhstan as bank, financial adviser, and agent

The National Bank of Kazakhstan may act as a bank, financial adviser, and agent of Government bodies by agreement with them.

ARTICLE 24. The National Bank of Kazakhstan as a bank of the Government of the Republic of Kazakhstan

The funds of the Government of the Republic of Kazakhstan shall be placed with the National Bank of Kazakhstan. The National Bank of Kazakhstan shall effect payments and perform other operations on the government's accounts, and shall also provide it with other services.

Direct financing of the Government of the Republic of Kazakhstan by the National Bank of Kazakhstan shall not be allowed.

ARTICLE 25. The National Bank of Kazakhstan as financial adviser to the government of the Republic of Kazakhstan

The National Bank of Kazakhstan shall serve in the capacity of financial adviser to the Government of the Republic of Kazakhstan in the development and implementation of government borrowing policy, and in the formation of budget policy with respect to issues involving government monetary policy.

ARTICLE 26. The National Bank of Kazakhstan as agent of the Republic of Kazakhstan government

The National Bank of Kazakhstan shall act as the financial agent of the Republic of Kazakhstan government on conditions that have been agreed upon by the National Bank of Kazakhstan and the government of the Republic of Kazakhstan.

Acting in the capacity of the agent of the Government of the Republic of Kazakhstan, by agreement with the Government, the National Bank of Kazakhstan shall service the government's state loans.

ARTICLE 27. Operations with government securities issued by a decision of the Government of the Republic of Kazakhstan

The National Bank of Kazakhstan shall have the right to carry out operations with government securities issued by a decision of the Government of the Republic of Kazakhstan.

The National Bank of Kazakhstan shall have the right to acquire ownership of government securities of the Republic of Kazakhstan Ministry of Finance upon their placement on the primary market.

The Central Authorized Body shall coordinate with the National Bank of Kazakhstan monthly volumes for government securities issues and repayment of the government debt, taking into account their effect on the liquidity of the banking system and monetary policy priorities, and the conditions for access by financial organizations to the initial offering of government securities issued by a decision of the Government.

ARTICLE 28. Regulation of the securities circulation

The National Bank of Kazakhstan shall regulate the circulation of government securities of the government of the Republic of Kazakhstan and local executive bodies with the approval of the Central Authorized Body.

## Chapter 6 MONETARY POLICY

### ARTICLE 29. Development and implementation of monetary policy

The National Bank of Kazakhstan shall be the sole body responsible for determining and implementing state monetary policy of the Republic of Kazakhstan. Monetary policy shall be carried out by the National Bank of Kazakhstan with the purpose of ensuring stability of prices.

Monetary policy shall be carried out through the establishment of:

- the official refinancing rate;
- the levels of the rates of fees charged for the principal operations of monetary policy;
- minimum required reserve standards (reserve requirements);
- in exceptional cases, direct quantitative limits on the level and volume of certain kinds of operations.

### ARTICLE 30. Kinds of monetary policy operations

For the purposes of implementing monetary policy, the National Bank of Kazakhstan shall carry out the kinds of operations hereunder:

- 1) granting loans;
- 2) acceptance of deposits;
- 3) exchange interventions;
- 4) issuing short-term notes of the National Bank of Kazakhstan;
- 5) buying and selling government and other securities, including with the right of reverse purchase;
- 6) rediscounting commercial bills;
- 7) other operations by decision of the Supervisory Board of the National Bank of Kazakhstan.

### ARTICLE 31. Official refinancing rate

The National Bank of Kazakhstan shall set an official refinancing rate depending on the overall state of the money market, credit supply and demand, the inflation rate, and inflationary expectations.

The National Bank of Kazakhstan shall rediscount commercial bills in keeping with the official refinancing rate.

The official refinancing rate shall be a guideline for the rates of fees charged for the principal operations of monetary policy.

### ARTICLE 32. Reserve requirements

The National Bank of Kazakhstan shall utilize the reserve requirement mechanism in order to regulate the volumes and rates of interest fees on deposits and loans of the banks.

The rates of the minimal reserve requirement shall be calculated by the National Bank of Kazakhstan as a percentage of total obligations, less obligations to banks.

The structure of the banks' obligations accepted for calculation, terms of fulfillment of the minimal reserve requirements and the procedure of the reservation, as well as the rates of the minimal reserve requirements shall be established by the National Bank of Kazakhstan.

A change in minimum required reserves shall enter into force at least one month after the decision to make a change has been adopted.

In the event of a violation of minimum reserve requirements, the National Bank of Kazakhstan shall impose and collect a fine in an amount set by legislative acts of the Republic of Kazakhstan.

When a bank ceases operation, the National Bank of Kazakhstan shall return to the liquidation committee of the bank within ten-days term the funds it held in reserve with the National Bank of Kazakhstan.

#### ARTICLE 33. Buying and selling securities

Government and other securities shall be bought and sold by the National Bank of Kazakhstan within the framework of general monetary policy.

#### ARTICLE 34. Rates of fees charged for the principal operations of monetary policy

The National Bank of Kazakhstan shall establish the rates of fees charged for the principal operations of monetary policy with the purpose of influencing the market rates of fees charged on the financial market within the framework of its monetary policy.

#### ARTICLE 35. Loans

The National Bank of Kazakhstan shall regulate the total volume of lending to banks in accordance with the monetary policy guidelines that have been adopted.

The procedure and conditions of granting loans by banks, and of their repayment, and the kinds, maturities, and limits of loans granted by banks shall be specified by the National Bank of Kazakhstan.

The National Bank of Kazakhstan shall grant loans, both secured by high-liquidity and risk-free securities and other assets, and without security, for a term of not more than one year. This term may be extended by the Supervisory Board of the National Bank of Kazakhstan. Moreover, the National Bank shall have the right to grant loans to banks as lender of last resort following the procedure and for the time periods established by the Supervisory Board of the National Bank of Kazakhstan.

Property specified by regulations of the National Bank of Kazakhstan may serve as collateral to secure performance of obligations under loans of the National Bank of Kazakhstan.

#### ARTICLE 36. Foreign exchange interventions

Foreign exchange interventions by the National Bank of Kazakhstan shall be effected independently through the purchase and sale of foreign exchange and through other types of foreign exchange transaction on the interbank or exchange market with the goal of influencing the exchange rate of the Kazakhstani tenge.

Foreign exchange interventions by the National Bank of Kazakhstan shall be carried out within the framework of the overall monetary policy.

#### ARTICLE 36-1. Deposits

The procedure and conditions of attraction and repayment of deposits, the periods of deposits, and limits on their attraction shall be specified by the National Bank of Kazakhstan.

The National Bank of Kazakhstan shall have the right to attract deposits in both domestic and foreign currency.

#### ARTICLE 36-2. Short-term notes of the National Bank of Kazakhstan

Short-term notes of the National Bank of Kazakhstan shall be government securities issued by the National Bank of Kazakhstan.

The procedures and conditions of the issuance, placement, circulation, and redemption of short-term notes shall be specified by the National Bank of Kazakhstan.

The National Bank of Kazakhstan shall have the right to issue short-term notes in both domestic and foreign currency in keeping with the goals of monetary policy.

#### ARTICLE 36-3. Rediscounting of commercial bills

The National Bank of Kazakhstan shall establish the procedure for rediscounting of commercial bills, and the conditions imposed on acceptance of commercial bills for rediscounting by the National Bank of Kazakhstan.

#### ARTICLE 37. Quantitative restrictions on banks' operations

Direct quantitative restrictions of the National Bank of Kazakhstan shall be understood to mean maximum rates for certain types of operations and transactions, a direct restriction on lending, the freezing of fees (interest rates), or direct regulation of specific types of credit for the purpose of stimulating or curbing the development of certain sectors.

The National Bank of Kazakhstan shall have the right to impose direct quantitative restrictions in the event that inflationary processes cannot be reined in using indirect monetary regulation methods.

### Chapter 7

## CURRENCY CIRCULATION AND THE MONETARY UNIT

#### ARTICLE 38. The monetary unit

The Kazakhstani tenge shall be the monetary unit (national currency) of the Republic of Kazakhstan. The Kazakhstani tenge shall consist of 100 tiyns.

The circulating currency of the Republic of Kazakhstan shall consist of banknotes and coins.

The National Bank of Kazakhstan shall determine the relative quantities of the denominations of banknotes and coins in circulation.

#### ARTICLE 39. Payment instrument

The Kazakhstani tenge shall be the legal payment instrument in the Republic of Kazakhstan, with the exception of cases provided for by legislative acts and regulatory legal acts of the National Bank of Kazakhstan.

#### ARTICLE 40. Emission of banknotes and coins

The emission of currency, the organization of its circulation, and its withdrawal from circulation on the territory of the Republic of Kazakhstan shall be effected exclusively by the National Bank of Kazakhstan.

Emission of banknotes and coins in circulation shall be effected by the National Bank of Kazakhstan through the sale of banknotes and coins to individuals and legal entities.

#### ARTICLE 41. Backing for the monetary unit

Banknotes and coins of the National Bank of Kazakhstan shall be unconditional obligations of the National Bank of Kazakhstan and shall be backed by all of its assets.

The National Bank of Kazakhstan shall regularly publish in the mass media reports about the size of the gold and foreign exchange reserves.

#### ARTICLE 42. Production and characteristics of banknotes and coins

The National Bank of Kazakhstan shall determine the demand for banknotes and coins, it shall provide for their production, and it shall establish the procedure for the storage, destruction, and collection of cash currency.

Coins are divided into following types:

investment coins- coins, produced of precious metals, being the object of investment and collection;

collection coins – anniversary, memorable and other coins of special embossing die, produced in limited number both from precious and non-precious metals, being the object of investment and collection;

circulation coins - coins, produced of non-precious metals and intended for cash-based monetary circulation.

Banknotes and coins issued in the Republic of Kazakhstan must have a denomination, format, and decorative design. Said characteristics of banknotes and coins shall be published in the press.

#### ARTICLE 43. Requirements for acceptance of banknotes and coins

Banknotes and coins that have been put into circulation by the National Bank of Kazakhstan must be accepted at their nominal value throughout the entire territory of the Republic of Kazakhstan for all types of payments, as well as for

posting to bank accounts and for transfers, and they shall be changed and exchanged without restriction at all banks in the Republic of Kazakhstan.

No one other than the National Bank of Kazakhstan may declare banknotes and coins issued by the National Bank of Kazakhstan invalid.

ARTICLE 43-1. Sale and redemption of banknotes and coins by the national Bank of Kazakhstan

Sale, redemption of banknotes and circulation coins by the National Bank of Kazakhstan shall be carried out by their nominal value.

Sale and redemption of investment and collection coins by the National Bank of Kazakhstan shall be carried out according to the procedure, established by the regulatory legal acts of the National Bank of Kazakhstan.

ARTICLE 44. Right to replace the monetary unit

The President of the Republic of Kazakhstan shall have the right to replace the monetary unit. The President of the Republic of Kazakhstan shall determine the procedure, time periods, and conditions for the functioning of the monetary unit of the Republic of Kazakhstan.

ARTICLE 45. Replacement of banknotes and coins

The procedure for determining the validity of used banknotes and coins and the procedure for their exchange shall be established by the National Bank of Kazakhstan and shall be published in the press.

ARTICLE 46. Worn and damaged banknotes

The National Bank of Kazakhstan and banks of the Republic of Kazakhstan shall exchange worn and damaged banknotes without restriction if they have retained not less than 70 percent of their full size.

The National Bank of Kazakhstan shall accept worn and damaged banknotes that are more than 50 percent intact and exchange them in accordance with its regulations.

The National Bank of Kazakhstan shall not be required to compensate for lost or destroyed banknotes and coins.

ARTICLE 47. Liability for illegal production of banknotes and coins

Persons guilty of the illegal production of banknotes and coins, as well as the unsanctioned emission of cash, shall bear criminal and property liability in accordance with current legislation of the Republic of Kazakhstan.

ARTICLE 47-1. Organization of cash services

The National Bank of Kazakhstan shall establish the basic requirements on the organization of cash services to banks, organizations engaging in certain kinds of banking operations, and their customers, and on safekeeping, shipment, and accounting of cash by banks and by organizations engaging in certain kinds of banking operations.

## Chapter 8

### ORGANIZATION OF PAYMENTS AND MONEY TRANSFERS

ARTICLE 48. Powers of the National Bank of Kazakhstan in the organization of payments and money transfers and payment systems

The National Bank of Kazakhstan shall organize, coordinate, regulate, and supervise the functioning of payment systems, and it shall establish:

1) the regulations and specific considerations pertaining to the application of methods for effecting payments and/or money transfers, and basic requirements regarding the content of payment instructions;

2) the procedure and conditions for payments made with cash

The National Bank of Kazakhstan shall adopt regulatory acts supporting the efficiency and reliability of the functioning of payment systems in the territory of the Republic of Kazakhstan.

With the purpose to carry out supervision of payment systems functioning the National Bank of Kazakhstan shall be entitled:

to adopt regulatory legal acts, specifying the conditions and procedure of payment systems organization and functioning;

to carry out monitoring of payment systems functioning and to establish the procedure of its conducting;

to inspect organization and functioning of payment systems;

to obtain information from the participants and operators of payment systems;

to perform inspections of activities of the participants of payment systems in accordance with the regulatory legal acts of the National Bank of Kazakhstan.

The National Bank of Kazakhstan shall have the right to participate, within the limits of its authority, in organizing a system of international (interstate) payments.

ARTICLE 48-1. Repealed in accordance with the Law Of the Republic of Kazakhstan № 69-III dated 08.07.05

ARTICLE 49. Accounts

The National Bank of Kazakhstan shall establish the types and legal status of accounts, and the procedure and conditions for the opening, use, and closing of accounts **НАЦИОНАЛЬНЫЙ БАНК**.

ARTICLE 50. Methods for effecting payments and money transfers

The methods for effecting payments and money transfers employed on the territory of the Republic of Kazakhstan shall be established by legislative acts and regulatory legal acts of the Republic of Kazakhstan adopted in accordance with them.

ARTICLE 51. Repealed in accordance with the Law of the Republic of Kazakhstan № 154-1 dated 11.07.97

## Chapter 9

### OPERATIONS OF THE NATIONAL BANK OF KAZAKHSTAN

ARTICLE 52. Holders of bank accounts at the National Bank of Kazakhstan

Legal entities that have opened accounts with the National Bank of Kazakhstan following the procedure established by the Supervisory Board of the National Bank of Kazakhstan, as well as banks, shall be considered holders of accounts at the National Bank of Kazakhstan.

ARTICLE 52-1. Operations and transactions of the National Bank of Kazakhstan in the national currency

The National Bank shall perform the following operations in the national currency:

1) it shall grant credits to holders of bank accounts opened at the National Bank of Kazakhstan for a term of no more than one year, against the security of highly liquid, risk-free securities and other assets, except in those cases specified by this Law;

2) it shall rediscount bills of exchange of first-rate issuers of commercial origin, with maturities of no more than one year;

3) it shall purchase and sell the government securities;

4) it shall purchase and sell certificates of deposit and debt securities that the National Bank of Kazakhstan considers suitable for securing credits;

5) it shall accept deposits, effect payments and money transfers, and accept securities and other valuables for safekeeping and management;

6) it shall perform operations with derivative financial instruments;

7) when necessary, it shall open accounts with banks and financial institutions on the territory of the Republic of Kazakhstan and outside its borders;

8) it shall issue checks and bills of exchange;

9) it shall perform other banking operations, as well as transactions on its own behalf, in accordance with its functions, unless otherwise explicitly prohibited by this Law.

ARTICLE 53. Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

ARTICLE 54. Restrictions on operations of the National Bank of Kazakhstan

The National Bank of Kazakhstan shall not have the right:

- to provide services to organizations, and also to acquire stocks of legal entities, except in those cases specified by this Law;

- to be engaged in commercial and other activities, with the exception of those activities permitted by the legislation in force;

- to grant unsecured credits, except in those cases explicitly provided for by the legislative acts of the Republic of Kazakhstan;

- extend the term of credits that have been granted or to permit the renewal of bills of exchange that have expired.

An exception to the cases referred to in the first part of this article may be made only by a special decision of the Supervisory Board of the National Bank of Kazakhstan.

Chapter 10  
ACTIVITIES OF THE NATIONAL BANK OF KAZAKHSTAN  
IN THE AREA OF FOREIGN ECONOMIC RELATIONS.  
OPERATIONS WITH FOREIGN EXCHANGE ASSETS

ARTICLE 55. Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

ARTICLE 56. Foreign exchange regulation and foreign exchange control  
The National Bank of Kazakhstan:

a) shall determine the sphere of and procedure for the circulation of foreign currency and securities in foreign currency in the Republic of Kazakhstan, and it shall establish the necessary restrictions on performing operations in foreign currency, including restrictions on the size of such operations and fees (interest rates);

b) shall establish regulations for operations with foreign currency and securities in foreign currency performed by residents and nonresidents in the Republic of Kazakhstan;

c) shall establish the procedure for the import, export, and remittance of foreign exchange assets into and from the Republic of Kazakhstan, and it shall also determine the conditions for the opening of accounts with foreign banks by residents of the Republic of Kazakhstan;

d) shall establish regulations for the issuing and registration of licenses to perform foreign exchange operations, registration and notification on registration of foreign exchange offices, as well as it shall issue registration certificate of the foreign exchange office and suspends their activity in accordance with the foreign exchange legislation of the Republic of Kazakhstan, and it shall issue such licenses;

e) shall establish the official exchange rate of the domestic currency of the Republic of Kazakhstan against foreign currencies in accordance with a list specified by the Supervisory Board of the National Bank of Kazakhstan;

f) shall form and effect operations with gold and foreign exchange reserves;

g) in consultation with the governmental authorities in accordance with their competency, shall establish the procedure and forms for accounting and reporting on foreign exchange operations binding on all legal entities and individuals being residents and non-residents in the Republic of Kazakhstan;

h) Repealed in accordance with the Law of the Republic of Kazakhstan № 69-III dated 08.07.05

i) in cases in which it has been established that banks and other entities have violated the banking and foreign exchange legislation of the Republic of Kazakhstan, shall have the right to impose sanctions provided for by the banking and foreign exchange legislation;

j) shall organize international settlements and improve foreign exchange, financial, credit, and settlement relations with foreign countries;

k) shall attract funds in foreign currency from foreign and international organizations in accordance with government agreements that have been concluded;

l) Repealed in accordance with the Law of the Republic of Kazakhstan № 69-III dated 08.07.05

m) Repealed in accordance with the Law of the Republic of Kazakhstan № 69-III dated 08.07.05

n) Repealed in accordance with the Law Of the Republic of Kazakhstan № 165-III dated 05.07.06 (introduced into effect from July 1, 2006)

The National Bank of Kazakhstan shall have the right to perform other functions in the area of foreign exchange regulation and foreign exchange control as provided for by the legislation of the Republic of Kazakhstan.

#### ARTICLE 57. Operations with foreign exchange assets and precious metals

The National Bank of Kazakhstan shall have the right to perform the following operations with foreign exchange assets and precious metals:

- it may purchase and sell foreign currency;
- it may purchase, sell, or perform operations with securities in foreign currency that have been issued and guaranteed by the government of the Republic of Kazakhstan, governments of foreign states, or international financial organizations;
- it may open accounts with banks, foreign central banks, foreign banks, and foreign financial institutions that have the appropriate authorization under the legislation of the states in which they are registered, and also with international financial organizations;
- it may open and maintain accounts, and act as a representative or correspondent for a foreign central bank, foreign banks, and other foreign financial institutions that have the appropriate authorization under the legislation of the states in which they are registered, foreign governments and their agents, as well as international organizations;
- it may provide for the acceptance and storage of refined gold, precious metals, precious stones, and articles made of them;
- it may perform operations involving the purchase and sale of refined gold and other precious metals on the territory of the Republic of Kazakhstan and on the external market;
- following the procedure established by current legislation, it may import into the Republic of Kazakhstan foreign exchange assets and precious metals, and also export them abroad for placement in its accounts with foreign banks and specialized financial organizations;
- it may purchase, sell, or conduct operations with securities of issuers having a credit rating of a minimum level specified by the Supervisory Board of the National Bank of Kazakhstan;
- it may conduct operations with money market instruments such as interbank deposits, Repo and reverse Repo transactions, certificates of deposit, commercial

securities and other debt obligations of issuers having a credit rating of a minimum level specified by the Supervisory Board of the National Bank of Kazakhstan;

- it may conduct operations with derivative financial instruments such as forward operations, swap operations, and option operations with contracting partners with credit ratings not below those specified by the Supervisory Board of the National Bank of Kazakhstan;

- it may conduct other operations by decision of the Supervisory Board of the National Bank of Kazakhstan.

#### ARTICLE 58. Gold and foreign exchange assets

The gold and foreign exchange assets of the National Bank of Kazakhstan shall be created and used to ensure the internal and external stability of the Kazakhstani tenge and shall consist of:

- refined gold;
- foreign exchange assets held in the National Bank of Kazakhstan;
- promissory notes and bills of exchange in foreign currency;
- securities issued and guaranteed by foreign governments or international financial organizations;
- other foreign assets denominated in foreign currency, on the condition that the liquidity and security of these assets are guaranteed.

The National Bank of Kazakhstan shall determine the structure of gold and foreign exchange assets and their placement.

Gold and foreign exchange assets may not be used to issue credits (loans), to provide guarantees, or to assume other liabilities to residents and nonresidents of the Republic of Kazakhstan, with the exception of those cases specified by a decision of the Supervisory Board of the National Bank of Kazakhstan.

The National Bank of Kazakhstan shall increase and change the structure of gold and foreign exchange assets by means of:

- purchases of refined gold from Kazakhstani and other producers (sellers) of the metal, in accordance with the current legislation of the Republic of Kazakhstan regulating relations involving precious metals and precious stones of Kazakhstani and any other producers (sellers) of specified metal;

- purchases of foreign currency for Kazakhstani tenge (including commemorative and souvenir coins) and for foreign currency from residents and nonresidents of the Republic of Kazakhstan, and also from the Government of the Republic of Kazakhstan;

- commissions and other fees (interest) earned from deposit, investment, and dealer operations with foreign currency and operations with securities denominated in foreign currency, performed by the National Bank of Kazakhstan, as well as from credits it grants in foreign currency;

- revenues in foreign currency from sales, deposits, and other operations performed by the National Bank of Kazakhstan with refined gold, silver, platinum, and other metals in the platinum group;

- credits received by the National Bank of Kazakhstan from international financial organizations, central banks of foreign states, and other creditors;

revenues in foreign currency from consulting, information, publishing, and other services performed by the National Bank of Kazakhstan in accordance with this Law and the Statute on the National Bank of Kazakhstan.

A reduction in gold and foreign exchange assets shall be effected by the National Bank of Kazakhstan by means of:

the sale of currency on the domestic exchange market for the purpose of implementing monetary policy, including exchange rate policy, and evening out an imbalance between the supply and demand for foreign currency on the domestic exchange market;

conversion of tenge into foreign currency to pay for imported goods (work, services), including the maintenance of diplomatic and other missions abroad and business travel expenses, and also to service the external public debt of the National Bank of Kazakhstan out of state budget funds and the budget of the National Bank of Kazakhstan;

the sale of foreign currency to acquire another foreign currency;

the repayment of principal and fees (interest) on credits received by the National Bank of Kazakhstan, and also to pay commission fees and other related expenses;

the use of provisions (reserves) that have been created to write off losses on gold and foreign exchange assets.

#### ARTICLE 59. Liquidity and security of foreign assets

The National Bank of Kazakhstan shall be required to properly maintain the liquidity and security of assets as well as to preserve the purchasing power of foreign assets on long-term perspective at reasonable level of risk.

The National Bank of Kazakhstan must support foreign assets at the level necessary to ensure the stability and conversion ability of the national currency and to support its exchange rate, carrying out payments on obligations of the Republic of Kazakhstan.

#### ARTICLE 60. Gold and foreign exchange asset revaluation account

Exchange rate differences on gold and foreign exchange assets being the consequence of changes in evaluation of assets and obligations of the National Bank of Kazakhstan, shall include the accounts on unrealized incomes and costs of the reporting period in which they have appeared. Within the fiscal year the amount of realized income and cost, calculated in accordance with the regulatory legal acts of the National Bank of Kazakhstan shall be sent to appropriate accounts of incomes and costs of the fiscal year. On the results of completion of the fiscal year unrealized incomes and costs shall be attributed to appropriate accounts of revaluation. In case of absence of balances on revaluation accounts by the types of gold and foreign exchange assets the occurred negative exchange rate difference shall be attributed to the costs of the reporting period.

Realized incomes from revaluation of gold and foreign exchange assets shall be sent to increase of the reserve capital in its full volume.

## CONTROL AND SUPERVISORY FUNCTIONS OF THE NATIONAL BANK OF KAZAKHSTAN

ARTICLE 61. Principles of regulation and supervision performed by the National Bank of Kazakhstan

The National Bank of Kazakhstan shall participate in the regulation and supervision of activities of banks and of financial organizations engaging in certain kinds of banking operations in accordance with this Law and banking legislation of the Republic of Kazakhstan. At application within the limits of its competence of sanctions to the banks and organizations, accomplishing separate types of banking activities the National Bank of Kazakhstan shall inform the authorized body on that.

The regulatory functions of the National Bank of Kazakhstan shall be aimed at maintaining the stability of the monetary system of the Republic of Kazakhstan.

The National Bank of Kazakhstan shall not interfere in the day-to-day activities of financial organizations engaging in certain kinds of banking operations.

In order to fulfill its functions, the National Bank of Kazakhstan shall have the right to request and obtain the statistical information and reports and in case of necessity any other additional information from state authorities, financial and other organizations, and their associations (unions).

ARTICLE 62. Principal powers of the National Bank of Kazakhstan to regulate and supervise activities of financial organizations

The National Bank of Kazakhstan shall license, control, and supervise financial organizations in accordance with this Law and other legislative acts of the Republic of Kazakhstan.

To this end, the National Bank of Kazakhstan shall have the authority:

1) to adopt regulatory legal acts binding on financial organizations and their customers;

2) to specify the conditions and procedure for issuance of banking licenses to financial organizations in cases prescribed by legislative acts of the Republic of Kazakhstan;

2-1) to determine the procedure of banking operations carrying out, as well as the conditions and the procedure of issue of conclusions to the authorized body in cases, provided for by the legislative acts of the Republic of Kazakhstan;

3) to conduct inspections that activities of financial organizations and other persons in respect to matters falling under the authority of the National Bank of Kazakhstan;

4) to obtain information from state bodies, organizations, and citizens needed for its control and supervisory functions in cases foreseen by legislative acts of the Republic of Kazakhstan.

The National Bank of Kazakhstan shall cooperate with central banks and supervisory bodies of other states and shall have the right to exchange information they need to perform their control functions.

ARTICLE 62-1. Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

ARTICLE 62-2. Enforcement of control functions of the National Bank of the republic of Kazakhstan

The National bank of the Republic of Kazakhstan shall enforce its control functions on the matters, which regulation fall under its competence in accordance with this Law and other legislative acts of the Republic of Kazakhstan, by means of:

1) preliminary inspection of technical equipment status of premises and equipment of banks and organizations, accomplishing separate kinds of banking operations, in case, provided for by the regulatory legal acts of the National bank of the Republic of Kazakhstan;

2) establishment of compliance to qualification requirements;

3) conducting of inspections with site survey or in documentary form:

financial organizations, as well as persons, accomplishing foreign exchange operations and activities, connected with the use of foreign valuables in the territory of the Republic of Kazakhstan, to control their compliance to the requirements of legislation of the Republic of Kazakhstan;

organizations, carrying out separate kinds of banking operations on the basis of the license of the National Bank of Kazakhstan, for studying their activities as a whole or separately on separate matters, as well as authenticity of reports and statements and information, submitted by them to the National Bank of Kazakhstan.

ARTICLE 62-3. Specific considerations of the procedure of organization and conducting and audits by the National Bank of Kazakhstan

1. Audits of activity of the financial organizations (their branch offices), as well as persons, accomplishing foreign currency operations and activities, related with the use of foreign currency valuables in the territory of the Republic of Kazakhstan, shall be conducted by the National Bank of Kazakhstan in accordance with the legislative acts of the Republic of Kazakhstan, regulating the issues of entrepreneurial business and licensing, with allowance for peculiarities, provided for by the present Article, either independently or involving specialists of other state bodies and(or) organizations.

2. Audits, conducted by the National Bank of Kazakhstan shall be subdivided to the following types:

1) scheduled – an audit of financial organizations (their branch offices), as well as persons, accomplishing foreign currency operations and activities, related with the use of foreign currency valuables in the territory of the Republic of Kazakhstan, not more than once a year in accordance with the schedule of audits of the National Bank of Kazakhstan;

2) off-schedule - an audit, appointed basing on the facts, stated in the applications of individuals and legal entities, publications in mass media, at receipt of requests from other state bodies of the Republic of Kazakhstan, at reception of information and materials, evidencing the violation of requirements of effective

legislation of the Republic of Kazakhstan, at availability of threat to the national and economic safety of the Republic of Kazakhstan, to the stability of its financial system, as well as with the purpose of control over elimination of the earlier revealed violations of effective legislation of the Republic of Kazakhstan.

3. Schedules of audits shall be made up each quarter and shall be approved by the Chairman of the National Bank of Kazakhstan.

4. The National Bank of Kazakhstan shall be entitled to notify the audited person in writing on supposed audit with indication of list of documents (data and information) to be submitted by the audited person to the group of auditors by the beginning of audit conducting.

The beginning of the audit shall be the moment of Audit appointment Act handling to the audited person, subjected to approval by the deputy of the Chairman of the National Bank of Kazakhstan or by the manager of the regional branch of the National Bank of Kazakhstan.

5. Audit shall be conducted on the basis of the act of the National Bank of Kazakhstan on appointment of the audit.

Audit Appointment Act shall specify the following:

- 1) number and date of the act;
- 2) name of the authority appointing such audit;
- 3) surname, name and patronymic name and position of the person (persons), authorized to conduct such audit;
- 4) name of the audited person, in respect of which such audit has been appointed, its place of location, identification number, as well as other information and data, required for registration of audits in the state body, accomplishing within the limits of its competence statistics activity in the field of the legal statistics and special accounting;
- 5) type of the audit (scheduled, off-schedule);
- 6) issues and matters, subjected to audit;
- 7) terms of audit conducting;
- 8) legal grounds for conducting of audit, including regulatory legal acts, obligatory requirements of which are subjected to audit;
- 9) audit period, except for audits on written applications of individual and legal persons and with the purpose of control over elimination of the earlier revealed violations of effective legislation of the Republic of Kazakhstan;
- 10) signature of a person, authorized to sign reports and acts, with indication of his position, surname, name and patronymic name and seal.

6. Audit Appointment Act shall be obligatorily registered in the governmental authority, accomplishing within the limits of its competence statistics activity in the field of the legal statistics and special accounting, according to the procedure established by effective legislation of the Republic of Kazakhstan.

7. Officials of the National Bank of Kazakhstan, who have arrived for conducting audit to the object, shall be obliged to submit an Audit Appointment Act with mark on registration in the governmental body, accomplishing within the limits of its competence statistics activity in the field of the legal statistics and special accounting, and service certificate.

8. In case of refusal to accept the Audit Appointment Act or prevention to access of officials of the National Bank of Kazakhstan, carrying out audit, to any materials, required for audit conducting, a special Report shall be made up. This Report shall be signed by an official of the National Bank of Kazakhstan, carrying out audit, and authorized employee of the audit person.

9. Audit can be conducted only by that official person (persons), who is indicated Audit Appointment Act.

10. The audited person, not later the following day after reception of Act from the National Bank of Kazakhstan on appointment of audit, shall submit a letter to the name of the manager of the audit group with indication of information about:

1) manager in charge of ensuring of audit conducting, and a person, substituting him;

2) experts of the audited person, responsible for preparation of the necessary documents (data and information), their timely transfer to the audit group (person).

11. For the period of audit conducting the audited person shall be obliged to provide the audit group (person):

1) reception upon the first request any required documents (data and information), concerning audit, both in paper and electronic format or their copies for attaching to the report on the results of audit, as well as access to any sources of information, required for conducting of audit;

2) access to automated data bases (information systems) in accordance with the subject of audit;

3) if necessary – submission by any officials and employees of explanations (oral and written) on the issues and matters, relating to the conducted audit, their official duties and (or) activity of the audited person;

4) separate room (if available) in the building of the audited person with the possibility of free access to it.

12. Violation by the audited person of any of the requirements, specified in the paragraph 11 of the present Article, shall be the basis for application of retaliation and sanctions to the audited person or to his manager, provided for by the laws of the Republic of Kazakhstan.

13. The term of audit conducting shall not exceed thirty calendar days, in exceptional cases at necessity of additional studying of separate issues or in connection with considerable volume of audit by the Deputy to the Chairman of the National Bank of Kazakhstan or by the manager of the regional branch office of the National Bank of Kazakhstan, the term of audit conducting can be prolonged, but not more than to thirty calendar days.

In case of audit terms prolongation it is required to make up an additional act on prolongation of audit with registration in the state body, accomplishing within the limits of its competence statistics activity in the field of the legal statistics and special accounting, which shall specify the number and date of registration of the previous Audit Appointment act and the reason of its prolongation.

14. According to the results of the audit, the audit group (person) shall make up a report on the results of the audit:

Such report on the Results of audit shall specify the following information:

- 1) date and place of Report making up;
- 2) name of the authority, which conducted such audit;
- 3) date and number of the Audit Appointment Act, on the basis of which such audit has been conducted;
- 4) surname, name and patronymic name and position of the person (persons), authorized to conduct such audit;
- 5) name of the audited person, in respect of which such audit has been appointed, its place of location, identification number, and in case of presence at audit conducting of any representative of the audited person – his/her surname, name and patronymic name and position;
- 6) place and period of audit conducting;
- 7) information on the results of audit, including information on the revealed violations and their character;
- 8) information on familiarization or refusal to familiarize with the Report of representative person of the audited person, as well as other persons in case of their presence at audit conducting, their signatures or refusal to put signatures;
- 9) signature of the official person (persons), who has conducted the audit.

The Report on the results of the audit shall be supplemented with all necessary documents (data and information) or their copies, concerning the results of the audit.

Not later the termination of the term specified for audit conducting by the audit group (person) two copies of the Report on the results of the audit shall be sent to the name of the manager of the audited person with copies of appendices, except for copies of documents, available in the original possessed by the audited person, for familiarization and signing.

The manager of the audited person (his deputy) or the manager, responsible for ensuring of audit conducting, shall accept the first copy of the Report on the results of the audit, shall put his visa on each page of the second copy of the Report, shall specify on its last page a mark on reception date with indication of position, surname, name and patronymic name and not later the day following the day of reception of the Report on the results of the audit, shall submit the second copy to the auditing group (person) of the National Bank of Kazakhstan with indication (if available) any rebukes and (or) objections on the results of audit.

15. Termination of the audit term shall be the day of sending to the manager of the audited person (his Deputy) of the Report on the results of the audit not later the term of audit termination, specified in the Audit Appointment Act.

16. In case the National Bank of Kazakhstan applies the measures of effect and sanctions in accordance with the laws of the Republic of Kazakhstan, the audited person shall be obliged within the term established by the National Bank of Kazakhstan to submit a written report (information) on measures taken on elimination of the revealed violations.

17. In the course of audit conducting the official person of the National Bank of Kazakhstan shall provide the safety of documents of the audited person and to observe the confidentiality of information received, abstain from actions, which

can directly or indirectly result in aggression of rights or legal interests of the audited person and his clients.

ARTICLE 63. Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

ARTICLE 64. Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

## Chapter 12 REPORTING OF THE NATIONAL BANK OF KAZAKHSTAN

ARTICLE 65. The fiscal year

The fiscal year of the National Bank of Kazakhstan shall begin on January 1 and end on December 31, and shall be based on the calendar year.

ARTICLE 66. Reporting

Each year the National Bank of Kazakhstan shall submit an annual report to the President of the Republic of Kazakhstan for approval.

The President of the Republic of Kazakhstan shall review the annual report of the National Bank of Kazakhstan and make a decision regarding its approval.

The National Bank of Kazakhstan shall submit an annual balance sheet and a revenue and expenditure statement for the National Bank of Kazakhstan to the Republic of Kazakhstan Ministry of Finance by agreed-upon deadlines, for the purpose of compiling a consolidated financial balance sheet for the Republic of Kazakhstan.

ARTICLE 67. Annual report

The annual report of the National Bank of Kazakhstan shall include:

- a report on the status of monetary-credit policy and state of financial market;
- a report on the activities of the National Bank of Kazakhstan in the previous year;
- annual consolidated financial reports for the National Bank of Kazakhstan.

ARTICLE 68. Auditing of the activities of the National Bank of Kazakhstan

The activities of the National Bank of Kazakhstan basing on the decision of the Supervisory Board of the National Bank of Kazakhstan, including the audit of the financial statements shall be audited annually by an independent auditing organization which composition shall include an auditing organization having experience of audit of the state's central bank- a member of the Organization for Economic Cooperation and Development (OECD).

Any information obtained in the course of an audit shall be considered confidential and the auditing organization shall bear responsibility for its disclosure to third parties.

Auditing of the activities of the National Bank of Kazakhstan and its subdivisions by any government bodies shall be carried out only with the consent or on the instructions of President of the Republic of Kazakhstan.

## Chapter 13 FINAL PROVISIONS

### ARTICLE 69. Liquidation of the National Bank of Kazakhstan

The National Bank of Kazakhstan may be liquidated through the passage of a Republic of Kazakhstan Law to this effect. In the event of the liquidation of the National Bank of Kazakhstan, its property shall be turned over to its legal successor as designated in the relevant Law.

### ARTICLE 70. Authority to obtain information

With the aim of ensuring the proper and timely execution of the functions of supervision and control assigned to the National Bank of Kazakhstan, and meeting the requirements of this Law, the National Bank of Kazakhstan shall have the right to obtain necessary information from any individual and legal entity on the territory of the Republic of Kazakhstan who holds an account with a bank or an organization engaging in certain kinds of banking operations; information that has been obtained shall not be closed.

### ARTICLE 70-1. Fees for services provided by the National Bank of Kazakhstan

The National Bank of Kazakhstan shall have the right to perform banking operations and other services for a fee. The types and amounts of fees for the services it provides shall be determined independently by the National Bank of Kazakhstan.

The National Bank of Kazakhstan shall not collect fees for banking and other services rendered to the government and Ministry of Finance of the Republic of Kazakhstan, except for the services of managing the Republic of Kazakhstan National Fund and other funds and organizations.

### ARTICLE 71. Statute of limitations on claims

The statute of limitations shall not extend to claims of the National Bank of Kazakhstan against borrowers for improper fulfillment of credit agreements.

### ARTICLE 72. Liability of the National Bank of Kazakhstan and dispute resolution procedure

The National Bank of Kazakhstan shall bear liability for failure to fulfill its obligations in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

All disputes arising between the National Bank of Kazakhstan and banks, organizations that perform certain types of banking operations, their founders (partners), legal entities, and individuals in the execution of this Law shall be settled through legal channels in accordance with the legislation of the Republic of

Kazakhstan and international agreements to which the Republic of Kazakhstan is a party.

The National Bank and its officers shall bear liability prescribed by legislative acts of the Republic of Kazakhstan for damage done to individuals and legal entities by unlawful acts or by inaction connected with its control and supervisory functions.

ARTICLE 73. Repealed in accordance with the Law of the Republic of Kazakhstan № 483-II dated 10.07.03

ARTICLE 74. Entry into force of this Law

This Law shall enter into force on the day of its publication.

**The President of the Republic of Kazakhstan**

**N. NAZARBAYEV**

№ 2155, March 30, 1995