Edict of the President of the Republic of Kazakhstan,   
having the effect of a law, № 2444 the 31st of August, 1995   
Concerning Banks And Banking Activities

In accordance with Article I of the Law of the Republic of Kazakhstan, dated December 10, 1993 "Concerning the Temporary Delegation of Additional Powers to the President of the Republic of Kazakhstan and the Heads of Local Administrations" and in for the purposes of determining the type, the legal status, the procedure for creation, functioning and termination of activities of the banks of the second tier, I am issuing this Edict.

Section I. The Bases and Terms of Creation and

Operation of Banks

Chapter 1. General Provisions

Article 1. A Bank, Its Status and Location

1. A bank shall be a legal entity. which is a commercial organization, and which performs banking activities in accordance with this Edict.

2. Official status of a bank shall be determined by the permission of the National Bank for its opening, by state registration of a legal entity as bank at the Ministry of Justice, and by existence of licenses of the National Bank of the Republic of Kazakhstan (henceforth, the National Bank) for carrying out of banking transactions.

3. No legal entity which has not the official status of a bank, shall be referred to as a bank nor describe itself as one engaging in banking activities.

4. The place where the Board of a bank is located (its postal address) shall be recognized as the place of the bank's location (residence).

Article 2. Deposit

1. Deposit shall mean a sum of money transferred by one person (depositor) to any other person under the term of repayment of that sum in the nominal measurement plus prior stipulated addition (irrespective of whether the sum must be repaid at the first demand, or after a certain period, in full or In installments, whether with a zero or positive addition, whether repaid directly to depositor, or transferred in accordance with the depositor's instructions to any third parties).

2. Irrespective of the title of a transaction and Intentions of the parties, the following shall be (recognized as) acceptance of deposits:

a) issuing of documents to confirm a receipt of monetary resources, which is not relating to selling of goods, performance of work, or rendering of services, under the terms of repayment of the monetary resources in exchange for those documents,

b) selling of securities under the term of their revert purchase.

Article 3. The Banking System of the Republic of Kazakhstan

1. The Republic of Kazakhstan shall have a double tier banking system.

2. The National Bank shall be the central bank of the State and it shall represent the top (first) tier of the banking system.

The purposes, principles of operation, the legal status and the authority of the National Bank of the Republic of Kazakhstan shall be defined by Edict Which Has Force of Law of the President of the Republic of Kazakhstan concerning the National Bank of the Republic of Kazakhstan".

3. All the other banks shall represent the bottom (second) tier of the banking system.

4. A state-owned bank shall be a bank of the second tier, created on the basis of a separate legislative act or a resolution of the government of the Republic of Kazakhstan which is the sole owner of its charier fund.

A state-owned bank shall carry out its activities in accordance with this Edict, subject to special considerations stipulated in legislative and normative acts concerning their creation and operation.

5. A deposit bank shall be a bank of the second tier, which has the right to accept deposits and to carry out any other banking transactions which are not prohibited by this Edict.

6. An investment bank shall be a bank of the second tier, whose principal type of activities arc the performance of direct and portfolio investments.

7. A bank with foreign participation shall be a bank of the second tier, whose more than fifty per cent of shares are held, owned and/or managed by the following:

a) non-residents of the Republic of Kazakhstan,

b) legal entities which are residents of the Republic of Kazakhstan, whose more than fifty per cent of shares and held, owned and/or managed by non-residents of the Republic of Kazakhstan or similar legal entities which are residents of the Republic of Kazakhstan;

c) residents of the Republic of Kazakhstan which are managers of resources (trusted poisons) of non-residents of the Republic of Kazakhstan, or of the legal entities listed in sub-paragraph b) of this Paragraph.

8. An interstate bank shall be a bank which is created and which operates on the basis of an international agreement (treaty), whose charter fund is owned by the Government of the Republic of Kazakhstan and the government (governments) of a state (states) which signed that agreement (treaty).

Article 4. Legal Regulation of Banking Activities

Banking activities shall be regulated by the Constitution and legislative acts of the Republic of Kazakhstan, by this Edict, other acts of the President of the Republic of Kazakhstan, international agreements (treaties) concluded by the Republic of Kazakhstan and also by the normative acts of the National Bank, which are issued on the basis and for the implementation of the legislative acts and Edicts of the President of the Republic of Kazakhstan, in respect of the issues conferred to its authority.

Article 5. A Non-Banking Financial Institution

A non-banking financial institution shall be a legal entity which is not a bank, and which lias the right to early out certain banking transactions on the basis of the license of the National Bank.

Article 6. The Prohibition of Unauthorized Activities

1. No entity that has not the appropriate license from the National Bank, except for the cases stipulated in paragraph 2 of this Article, shall have the right to:

a) accept deposits, and also perform any other banking transactions as their principal or incidental business,

b) carry out audits of banking activities as their principal or incidental business;

c) use in their name, documents, announcements and advertisements the word "bank" or a word (expression) which is its deviate and which creates the impression that that entity accepts deposits, performs any other banking transactions, or carries out audits of banking activities. This prohibition shall not apply to the National Bank, affiliates and representations of banks, international financial organizations.

2. Possible exceptions from the prohibition of acceptance of deposits by entities which have not the license from the National Bank, shall be determined by the normative acts of the National Bank and they shall include the cases of accepting deposits as follows:

a) from the National Bank of the Republic of Kazakhstan, banks and non-banking financial institutions which have the license of the National Bank for issuing credits in monetary form,

b) as amount payable in relation to a valid transaction of purchase and sale of assets, performance of work or rendering of services (in form of pledge or amounts which are to be repaid in the event that the transaction is dissolved),

c) as a loan under the terms of repayment of the amount which does not exceed the initial one.

3. Banking transactions which are carried out without licenses of the National Bank shall be invalid.

Article 7. Division of Responsibilities of Banks and the State. Independence of Banks

1. Banks shall not be liable for the obligations of the State, equally, the State shall not be liable for their obligations, except for the cases stipulated in paragraph 2 of this Article and also the cases where banks and the State assume such responsibility.

2. The State shall be responsible for the liabilities of the state-owned banks within the limits of resources invested to their charter hinds. The government may by its separate decision assume and delegate to state-owned banks additional responsibilities in relation to their liabilities.

The State shall guarantee the safety of deposits accepted by interstate banks which are residents of the Republic of Kazakhstan and it shall be liable for their obligations in proportion to the share of the Government of the Republic of Kazakhstan in the charter funds of such banks.

3. Interference of the state bodies or their official persons with the activities of banks shall be prohibited in any form, except for the cases directly stipulated in legislation of the Republic of Kazakhstan.

Article 8. Activities Which are Prohibited and Restricted for Banks

1. All banks shall be prohibited to carry out activities in the sphere of material production, trade in movable and immovable assets (except for currency assets) and to perform any types of insurance activities (except for collective insurance of deposits), as well as to participate in charter funds of legal entities, except for the cases stipulated in paragraph 3 of this Article.

2. It shall be prohibited to investment banks to accept any types of deposits, except for definite term deposits of any other banks.

3. The prohibition established in paragraph I of this Article shall not apply to the following cases:

a) participation of investment banks in charter funds of the legal entities which carry out the types of activities stipulated in paragraph I of this Article;

b) participation of banks in charter funds of banks and interbank organizations which do not set the goal of deriving profits and their distribution between the members,

c) participation of banks in charter funds of legal entities which are formed for automation of functions of banks and non- banking institutions,

d) elaboration and implementation of specialized software to be used for automation of functions of banks and non- banking institutions;

e) publication and selling of special literature feinting to Issues of banking activities, on any types of information carriers,

f) selling of banks own assets,

g) selling in accordance with the procedure established by this Edict and other current legislation of assets pledged by debtors,

h) hedging (minimization) of exchange and Interest risks by way of creating counter claims and liabilities, or by any other methods which do not envisage formation of special-purpose provisions (reserves).

Article 9. Prohibition of Advertising Which is Not True to Fact

1. Banks shall be" prohibited to advertise their activities which are not true to fact on the date of publishing of the advertisements.

2. The National Bank shall have the right to require from a bank to introduce amendments to advertisements which are not true to fact, to terminate it, or to publish a refutation.

In the case of a failure to execute such a requirement within the period established by the National Bank, the National Bank shall have the right to publish information concerning the deviation from reality of the information contained in an advertisement or to make it more specific at the expense of the bank which published such an advertisement.

3. Legal entities which have not the license of the National Bank for conducting of banking transactions shall be prohibited to advertise activities winch fall under the category of banking transactions.

Article 10. Associations (Unions) of Banks

1. For co-ordination of their activities, protection and representation of common interests, implementation of joint projects and solution of other common tasks, banks shall have the right to form in accordance with current legislation associations and unions of banks.

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

3. Associations (unions) of banks may not be used for purposes of restricting competition in the banking system, manipulation of interest rates, terms of selling credits and other banking services.

Article 11. Subsidiary Banks, Affiliates and Representations of Banks

1. Banks shall have the right to open their subsidiary banks, affiliates and representations both in the territory of the Republic of Kazakhstan and outside of its boundaries.

2. A subsidiary bank shall be a bank of the second tier, more than fifty per cent of the charter fund wherein belongs to the parent bank.

Subsidiary banks shall be independent legal entities and they shall be created in accordance with the procedure established by Articles 12-28 of this Edict.

3. Affiliates and representations of banks shall be created in accordance with the procedure established by Article 29 of this Edict.

4. Representations of banks which are not residents of the Republic of Kazakhstan shall be opened in the Republic of Kazakhstan with the consent of the National Bank.

Chapter 2. Creation of Banks

Article 12. Organizational and Legal Form of Banks

1. Banks (except for state-owned banks) shall be created in form of joint stock societies of a closed-type without the right to issue bearer's shares.

2. Transformation of a bank into a Joint stock society of an open-type shall be admitted only under the term of its continuous non-loss operation during one calendar year from the moment of receipt of the license from the National Bank for acceptance of deposits and granting of credits in monetary form and compliance during that year with the prudential norms and other obligatory requirements and limits established by the National Bank.

3. The shareholders of a bank, which are its foundation parties, after its transformation into an open-type joint "stock society may not have any additional advantages or bear any additional obligations as compared to any other shareholders.

4. In relation to the type of a bank, the National Bank shall establish different standards for annual publication of the annual report, accounting balance sheet and profit and loss account.

Article 13. Forms of Ownership of Banks

Banks may be created on the basis of any form of ownership, except for state-owned banks which are created only on the basis of the state property.

Article 14. Foundation Documents of a Bank

1. A bank shall be created on the basis of a foundation agreement and It shall operate in accordance with Its charter.

2. A foundation agreement to create a bank must, apart from the information stipulated in current legislation concerning business partnerships, contain the following in a compulsory procedure:

information concerning the foundation parties, including full commercial name and place of location of each of them as well as Information concerning the state registration (for legal entitles), name, citizenship, place of residence and details of the documents confirming identities (for physical persons),

information concerning the number, categories and the nominal value of the shares.

3. A bank charter must, apart from the information stipulated in current legislation concerning business partnerships, contain the following in an compulsory procedure:

full and brief commercial name of the bank;

information on the Organizational and legal form and the form of ownership of the bank;

principles for the formation and use of the bank's funds;

procedure for adoption of decisions by the governing bodies of the bank, including the list of issues which require a qualified majority of shareholders" votes.

Article 15. Name of a Bank

1. A bank shall use the name which is inscribed in its charter as its commercial name.

No bank shall have the right to refer to itself in any documents, notices or advertisements otherwise than by the name which is inscribed in its charter.

2. It shall be prohibited to all banks, except for the National Bank, to use in their names the words "National", "Central" in full or abbreviated form in any language.

3. It shall be prohibited to all banks, except for the state-owned banks, to use In their names the word "state" In full or abbreviated form in any language.

4. It shall not be allowed to use as names the designations which are identical or similar to the degree of confusion with the names of earlier-created banks, including banks which are non-residents of the Republic of Kazakhstan.

This prohibition shall not apply to subsidiary banks when they use the parent names.

Article 16. The Charter Fund of a Bulb

1. The charter fond of a bank shall serve as a security for its obligations and the main source for performing banking transactions.

The charter fund of a bank (except for a state-owned bank) shall be initially formed at the expense of selling shares or at the expense of the foundation parties" contributions.

2. The foundation parties and shareholders of a bank shall be obliged to pay for acquired shares exclusively by monetary resources.

3. It shall be prohibited to use resources received as a credit, under a pledge, and any other borrowed resources for payment on shares of a bank which operates In the form of a closed-type joint stock society.

Resources contributed to the charter fund in violation of this requirement, together with accrued dividend and also income received by a bank from their use shall be confiscated as revenue of the Budget, and the shares shall be returned to the bank for their further marketing.

4. Primary sales of bank shares may only be carried out at the price which Is not lower than their nominal value and which is uniform for all the foundation parties (shareholders) .

5. The charter fund of a newly- created bank, declared in its foundation documents, must be paid by its shareholders by fifty per cent by the time of its registration and fully within one calendar year from the date of its registration.

6. Increasing of the charter fund may be carried out by the following ways:

a) issue of additional shares including at the expense of capitalization of the bank's profits and by exchanging debentures of the bank for its shares;

b) increasing of the nominal value of the shares.

Article 17. Foundation Parties and Shareholders of a Bank

1. Legal entities and physical poisons who are residents and non-residents of the republic of Kazakhstan (subject to restrictions outlined in Article 18 of this Edict) may be foundation parties and shareholders of banks.

2. On behalf of the State, only the Government may be a foundation party and a shareholder in a bank.

3. During the period of creation and operation of a bank, none of its foundation parties (shareholders) may directly or Indirectly own, dispose of and/or manage more than twenty-five per cent of voting shares of the bank.

This prohibition shall not apply to foundation parties (shareholders) of state- owned, interstate banks and their parent banks.

4. A legal entity which has the status of a non-resident or a company registered in an offshore territory in accordance with the legislation of state of its registration, may not be a foundation party or a shareholder of a bank which is a resident of the Republic of Kazakhstan. The list of the jurisdictions which are recognized as offshore ones shall be established by the National Bank.

Article 18. Special Considerations in Creating Subsidiary Banks by Banks Which are Non-Resident to the Republic of Kazakhstan

1. Banks which are non-resident to the Republic of Kazakhstan having a certain rate by one of the principal rating agencies may be parent banks in relation to a subsidiary bank. The list of the principal rating agencies and the minimum required rate shall be established by the National Bank of the Republic of Kazakhstan.

2. A bank which is non-resident of the Republic of Kazakhstan shall have the right to submit to the National Bank of the Republic of Kazakhstan and application to be issued permission to open a subsidiary bank after one year of operation in the territory of the Republic of Kazakhstan of that banks representation.

Article 19. Applications to be Issued Permission for Opening of a Bank

1. A legal entity or" a physical person shall have the right to petition to the National Bank with an application to be issued permission for opening of a bank.

2. Applications shall be submitted in the Kazakh or Russian languages and it must contain the address of the applicant.

3. The following documents must be attached to the application to be issued permission for opening of a bank:

a) foundation documents of the bank to be established: the foundation agreement, the charter, the minutes of adoption of the charter and appointment (election) of the bank's authorities;

b) information on the foundation parties (according to the questionnaire approved by the National Bank), accounting balance sheets of the legal entities which are the foundation parties at two latest reporting dates, auditors" (firm of auditors) statement on financial condition of the foundation parties;

c) in the event that one or more of foundation parties is not a resident of the Republic of Kazakhstan: a written notification from a state or supervision agency of the relevant state that it permits participation in the charter fund of a bank which is resident to the Republic of Kazakhstan, or a statement of a state or supervisory agency of the relevant state that such a permission is not required in accordance with legislation of the foundation party's State;

d) in the event that a non-banking financial institution is transformed into a bank:

the foundation agreement, charter, accounting balance sheet at the last reporting date;

the statement of auditors (firm of auditors) on the financial condition of the non-banking financial institution;

e) the list of members of the supervisory council of the newly-created bank with the indication of the chairman and Ills first deputy, which contains information concerning names of each person, nationality and address, and also information which confirms their compliance with the requirements established in paragraph 3 of Article 20 of this Edict;

f) in respect of the chairman of the Board of the newly created bank: Information indicated in subparagraph e) of this Paragraph;

g) for any other managers of newly- created halite: information indicated in subparagraph e) of this paragraph, as well as information concerning previous labor activities;

h) detailed organizational chart of the bank to be created;

i) articles on the internal audit services of the bank to be created;

j) articles on the credit committee of the bank to be created;

k) the business plan of the bank to be created, which discloses the strategy, directions and scale of activities, financial prospects (budgets, estimated balance sheet, profit and loss account for the first three financial (operational) years, marketing plan (formation of the bank's clientele), plan for attraction of manpower;

l) report on preparation measures undertaken by the foundation parties in accordance with the presented business plan;

m) notarially or in any other legitimate way certified a document to confirm the authority of the applicant to submit the application on behalf of the foundation parces.

4. Statements of auditors (firms of auditors) shall be recognized to be valid, provided the following confirmation documents are presented that the auditors:

is independent from the foundation parties of the reviewed bank and their official pawns;

is authorized to carry out audits of banking activities in accordance with the license of the National Bank or an appropriate authority of the state where the auditor is resident.

5. The National Bank shall have the right to request additional information or documents which are required" for adoption of decision to issue permission to open the bank.

6. The application to obtain permissions to open a bank may be revoked by the applicant at any Mage of its processing by the National Bank.

Article 20. Requirements to Executive Workers of a Bank

1. The Chairman and the Supervisory Council members, the Chairman of the Board and his deputies. Chief Accountant of a bank and his "deputies" first manager of a bank affiliate and their deputies shall be banking executives.

2. Executives of a bank as well as candidates who are recommended to be appointed or elected to hold executive positions must meet the minimum requirements established in paragraph 3 to 5 of this Article. Compliance with the indicated requirements shall be established by the qualification commission of the National Bank.

3. The following persons shall be recognized as not appropriate for holding the positions and they may not be appointed to be Chairman of the Board, Chairman or Member of the Supervisory Council:

who have not higher education;

who have convictions uncancelled or unalleviated in accordance with the procedure established by law;

who have not sufficient knowledge of banking and business legislation;

who in the past was all executive of a legal entity which went bankrupt, or of a bank whose license to open a bank was revoked for a failure to comply with requirements of legislation.

4. Any other executives of a bank to be appointed (elected) to positions not subject to compliance with the requirements of Paragraph 3 of this Article, must have higher or secondary special training appropriate for their line of work.

5. Chairman of the Board of a bank and his deputies. Chief Accountant of a bank and his deputies. Chief Executive and Chief Accountant of a bank affiliate shall be appointed (elected) for positions after the approval by the National Bank and as a rule must have length of service within the banians system: Chairman and Chief Accountant not less than three years, Deputy Chairman of the Board and Deputy Chief Accountant not less than two years.

The listed workers may not execute their duties for longer than three months prior to receipt of approval from the National Bank.

6. Requirements stipulated in this Article shall be compulsory for compliance by bank during the entire period of their activities.

Article 21. Additional Documentation Which is Required to establish a Bank with Participation of a Non-Resident of the Republic of Kazakhstan

1. A bank winch Is non-resident of the Republic of Kazakhstan and which is a foundation party to a bank, shall, aside from the documents indicated in Article 19 of this Edict, be obliged to attach the following documents to the application for the license:

a) resolution of the appropriate body of the bank which is the foundation party, on its participation in the bank to be resident of the Republic of Kazakhstan;

b) a written confirmation from the body of banking supervision of the relevant state that the bank which is the foundation party has a valid license for carrying out banking activities;

c) a written confirmation from a body of banking supervision of the relevant state that the bank which is a foundation party is subject to supervision on a consolidated basis;

d) duly formulated annual reports of the bank which is a foundation party (including the consolidated balance sheet and profit and loss account) for three last financial (operational) years confirmed by a firm of auditors (auditor) in compliance with Paragraph 4 of Article 19 of this Edict;

e) written notice of the banking supervision authority of the relevant state, that it permits the participation of the bank which is a foundation party in the charter fund of a bank which is resident to the Republic of Kazakhstan, or the application by the banking supervision body of the relevant state that such a permission is riot required in accordance with legislation of the state of the bank which is a foundation party.

2. The provisions of this Article shall also apply to non-resident banks of the Republic of Kazakhstan in the case of their acquisition of a share in the charter fund of an operating bank which is a resident of the Republic of Kazakhstan.

Article 22. Additional Requirements to Creation and Operation of Banks With Foreign Participation

1. The following requirements must be compiled with in creation and operation of banks with foreign participation in the Republic of Kazakhstan:

a) the aggregate registered charter fund of banks with foreign participation may not exceed twenty-five per cent of the aggregate registered charter fund of all banks of the Republic of Kazakhstan;

b) not less than one supervisory council member of a bank with foreign participation must be a citizen of the Republic of Kazakhstan and present the documents which witness his executive experience of not less than three years in a bank operating in the territory of the Republic of Kazakhstan, and his knowledge of banking and business legislation of the Republic of Kazakhstan;

c) a bank with foreign participation shall be obliged to deploy resources into domestic assets in amounts and in accordance with the procedure to be established by the National Bank.

Domestic assets of a bank with foreign participation shall be understood to be Tenge and foreign currency assets deployed in the territory of the Republic of Kazakhstan, in particular:

banknotes, coins and payment documents;

resources of a bank with foreign participation in correspondent or any other accounts in banks of the Republic of Kazakhstan;

securities of the Government and residents of the Republic of Kazakhstan;

credits granted to the Government and residents of the Republic of Kazakhstan.

2. The National Bank shall have the right to apply additional requirements to banks with foreign participation in respect of the membership of their bodies, the range of banking transactions to be performed, prudential norms and the procedure for reporting.

Article 23. The Procedure for Processing Applications for Obtaining Permissions to Open a Bank

1. Applications to be issued the permission to open a bank must be processed by the National Bank within six months from the date of submission by the applicant of last piece of information or a document required by the National Bank, but not more than nine months from the date of acceptance of the application.

2. The National Bank shall in writing notify applicants of adopteddecisions. Notices shall be forwarded to the address indicated in the application for permission to open a bank.

3. The National Bank shall keep account of permissions Issued for opening of banks.

Article 24. Denial to Issue Permission to Open a Bank

1. Denial to Issue permission to open a bank shall take place for any of the following reasons:

a) non-compliance of the foundation documents of the bank with current legislation;

b) non-compliance of the bank's name with the requirements of paragraphs 24 of Article 1.5 of this Edict;

c) non-compliance of the amount, composition and structure of the charter fund of the bank with the requirements of Article 16 of this Edict;

d) unstability of the financial" position of the bank's foundation parties;

e) non-compliance with the restrictions established by Article 17 of this Edict;

f) non-compliance of the candidates for executive positions of the bank with the minimum requirements established in paragraphs 3-5 of Article 20 of this Edict;

g) non-compliance of the foundation documents of a bank with foreign participation with the provisions established in paragraph I of Article 22 of this Edict;

h) the business plan of the bank to be established and any other documents presented by the applicant do not indicate that:

upon expiry of the first three financial (operational) years activities of the bank will be profitable;

the bank intends to comply with the requirements of risk limitation, nor to create proper structure of management;

the bank has its institutional structure which is consistent with its plan of activities;

the bank has accounting and controls structure which are consistent with the plans of its activities.

2. The National Bank shall be obliged to notify applicants about the reasons of denial in writing.

3. Issuing of a permission to open a bank in the case of non-compliance with the provisions of Articles 18-22 of this Edict shall not be allowed.

Article 25. The State Registration of a Bank

The State registration of a bank shall be carried out by the Ministry of Justice on the Basis of the National Bank's permission to open the bank.

Foundation parties must apply to the Ministry of Justice for the State registration of their bank within one month from the date of receipt of permission from the National Bank to open the bank.

Article 26. Licensing of Banking Transactions

1. The National Bank shall be the sole licenser in the territory of the Republic of Kazakhstan authorized to issue licenses for conducting of transactions conferred in accordance with this Edict to the category of banking transactions.

Licenses for conducting of banking transactions shall be issued In accordance with the procedure established by the National Bank.

2. In order to obtain a license to perform banking transactions during one year after the date of the State registration, an applicant shall be obliged as follows:

a) to adopt all the institutional and technical measures, in particular, to prepare the premises and equipment which comply with the normative requirements of the National Bank, and also to hire personnel with appropriate qualifications;

b) pay up the declared charter fund.

3. Simultaneously with the application to be issued a license to carry out banking transactions, a licensee shall be obliged to submit documents which confirm compliance with the requirements of paragraph 2 of this Article.

4. Applications to be issued the license to carry out banking transactions must be processed by the National Bank within one month from the date of their acceptance.

5. A license to carry out banking transactions shall be issued for all indefinite term.

6. A license to carry out banking transactions shall be name-registered and it shall not be subject to transfer to third parties. 7. The full range of banking transactions may be carried out only where there Is express Indication In the license of the right to perform them.

8. A decision to grant a license to carry out banking transactions shall be published by the National Bank in two National newspapers.

Article 27. Bases for Denial to Issue a License to Carry out Banking Transactions

A denial of issuing of a license to carry out banking transactions shall take place in the following cases:

a) non-compliance with any of the requirements established by paragraph 2 of Article 26 of this Edict;

b) where a bank during one year from the date of its State registration failed to apply to be issued a license.

Article 28. Amendments and Additions to Foundation Documents of Banks

1. Amendments and additions to be introduced to foundation documents of banks, which require re-registration at the Ministry of Justice shall be subject to preliminary agreement with the National Bank.

2. The issue of granting consent to introductions of amendments and additions to the foundation documents of a bank must be handled by the National Bank within one month.

Article 29. Formation of Affiliates and Representations of Banks

1. An affiliate of a bank shall be a subdivision which is not a legal entity, which is located outside of the bank's location, which performs banking transactions on behalf of the bank and operates within the bounds of authority granted to it by the bank.

A bank affiliate shall have the charter fund which is the same for the bank, the balance sheet and also the name which is fully identical with the name of the bank.

2. A bank shall be obliged to obtain the consent of the National Bank to open or merge its affiliate.

The issue of granting consent to open a bank affiliate must be handled by the National Bank within three months.

3. The following documents must be attached to application to obtain consent to open a bank affiliate:

a) articles concerning the bank affiliate, which include the list of banking transactions which the affiliate is authorized to carry out;

b) information concerning candidates to the position of Chief Executive and the Chief Accountant of the bank affiliate, compiled in accordance with the requirements of sub-paragraph g) of paragraph 3 of Articles 19 of this Edict.

4. Consent of local representative or executive bodies shall not be required for the formation of a bank, a bank affiliate or representation in the Republic of Kazakhstan.

5. Any of the following may be the reasons for denying the approval of opening a bank affiliate:

a) non-compliance of candidates for positions of the Chief Executive and Chief Accountant of the bank, with the minimum requirements established by paragraphs 3-5 of Article 20 of this Edict;

b) non-compliance of premises and equipment of the bank with the normative documents of the National Bank;

c) non-compliance by the bank with prudential requirements established by the National Bank;

d) violation of current legislation and normative acts of the National Bank.

6. Representation of a bank shall be a sub-division of a bank, which is not a legal entity located outside of the place of "the bank location, which acts for and on behalf of the bank, and which does not carry out banking transactions.

7. The following documents must be attached to an application to be granted the consent to open a representation of a bank which is non-resident to Kazakhstan:

a) foundation documents of the applicant bank;

b) a resolution of the relevant authority of the bank to open a representation in the territory of the Republic of Kazakhstan;

c) a written confirmation by a body of banking supervision of the relevant state that the applicant bank has a valid license for conducting banking operations;

d) a duly formulated annual report of the applicant bank (including the consolidated balance-sheet and the profit and loss account) for the last financial (operational) year confirmed by a firm of auditors which meets the requirements of paragraph 4 of Article 19 of this Edict;

e) a written notification of a banking supervision authority of the relevant state that the authority does not object to the opening of the representation of the applicant bank in the territory of the Republic of Kazakhstan, or the statement of a banking supervision authority or recognized legal service of the relevant state, that such permission is not required in accordance with legislation of the applicant bank state;

f) information on intended number of employees of the representation and on its manager.

Chapter 3. Performance of Banking Operations

Article 30. Banking Operations

1. Performance by banks of banking transactions as well as conducting of any other transactions established by this Article shall be banking operations.

2. The following shall be referred to banking transactions:

a) acceptance of deposits from legal entities;

b) acceptance of deposits from physical persons;

c) opening and keeping correspondent accounts of banks and nonbanking financial institutions and also of metal accounts of banks;

d) cash transactions; receipt, counting, breaking into smaller denominations, exchange, packing and safe custody of coins;

e) transfer operations" execution of instructions of legal entities and physical persons in relation to transfers of monetary resources;

f) accounting transactions: accounting (discounting) for bills of exchange and any other debt obligations of legal entities and physical persons;

g) loan transactions: issuing of loans in monetary form;

h) financing capital investments in accordance with instructions of owners and managers of resources to be invested;

I) trust transactions: management of monetary resources in the interests and in accordance with instructions of the trustor;

j) clearing transactions: collection, matching, sorting curt and confirmation of payments as well as their offset and determination of the net positions of clearing participants;

k) safe custody transactions: services associated with Safe custody of securities, documents and valuables of clients, including leasing of safe boxes, cases and premises;

m) pawn-shop transactions: issuing of short-term loans secured with deposited liquid securities and movable assets;

n) issue of cheques;

o) collection, acceptance, payment and sight of payment documents;

p) issue of payment cards;

q) collection and shipment of banknotes, coins and valuables;

r) organization of exchange transactions involving foreign currency. Only the National Bank shall have the right to issue licenses to banks and any other entities for conducting of the incited transactions.

The right to conduct transactions stipulated in subparagraphs a) and b) of this paragraph shall be granted by the National Bank exclusively to deposit banks.

3. Aside from the transactions listed in paragraph 2 of this Article, banks shall have the right to carry out the following transactions, provided they have the license from the National Bank:

a) purchase, acceptance as pledge, accounting for, safe custody and selling of precious metals (gold, silver, platinum, metals of platinum group) in bullion, granules, powers, salts, coins of precious metals, as well as jewellery items which contain precious metals and precious stones;

b) investment transactions beyond the boundaries of the Republic of Kazakhstan;

c) guarantee transactions; issuing of warranties and any other obligations for third parties, which envisages execution in monetary form;

d) hiring of assets with the reservation for the entire term of the agreement of the lessor's lien in respect of assets to be leased (leasing);

e) issue of own securities (shares, debentures, bills of exchange and certificates of deposit);

f) factoring transactions: purchase of claims of payment from buyers of goods (work, services) under the risk of default of payment;

g) forfeiture transactions (forfeiting): payment of debts of buyers of goods (work, services) by way of purchase of the bill whithout recourse to seller.

4. Intermediary transactions In the securities market shall be carried out by banks under the licenses relating to conducting of those transactions, from the National Commission of the Republic of Kazakhstan for Securities and consent from the National Bank.

Article 31. General Requirements to Transactions to Be Performed by Banks

1. Banks shall have the right to carry out banking activities only when they have the rules which define the general terms for performing transactions and their internal rules.

2. The general terms for performing transactions must be approved by the Supervisory Council of the Bank and contain the following information and procedures:

a) range of amounts and terms of deposits to be accepted and loans to be issues;

b) range of amounts of interest on deposits and loans;

c) terms for payment of interest on deposits and loans;

d) requirements relating to acceptable pledge;

e) rates and tariffs for performing of banking transactions;

f) rights and obligations of the bank and the client, their responsibilities;

g) any other terms, requirements and restrictions which by the Supervisory Council of the Bank are deemed to be necessary to be included among the general terms for performance of transactions.

3. Internal rules of a bank must define the following:

a) structure, objectives, functions and authority of bank's subdivisions;

b) structure, objectives, functions and authority of the internal audit service, credit committee and other permanently operating bodies;

c) rights and obligations of managers of structural sub-divisions;

d) authority of officials and executives of the banks when entering transactions for and on behalf of the bank.

Article 32. Obligations of the Bank in Relation to Disclosure of General Terms for Conducting Transactions

1. General terms for conducting transactions shall be public information and it may not constitute a commercial " or banking secret.

This provision shall not apply to terms for performing specific transactions which is either referred to banking secrecy in accordance with this Edict, or is referred by the bank to the category of commercial secrets in accordance with current legislation.

2. Banks shall be obliged to present their General Terms for Conducting Transactions at the first request of a client.

3. Banks shall not have the right to deny clients their information on possible risks relating to implementation of transactions.

Article 33. Contractual Nature of Relations Between the Bank and the Client

1. Relations between banks and also between banks and their clients shall be carried out on the basis of agreements, unless it is otherwise stipulated in legislation of the Republic of Kazakhstan.

2. Clients (depositors) of a bank, which are legal entities, shall have the right to open settlement, current accounts and accounts equated to those, in any other banks with notifying their servicing bank, unless it is otherwise stipulated in legislation of the Republic of Kazakhstan.

Article 34. Issuing of Loans

1. Irrespective of the name of the transaction and intentions of the parties, issuing of monetary resources [by an entity] to any other entity in its own name under its own risk on the terms of repayment and for a fee, shall be a loan transaction (granting of credit) .

The license of the National Bank shall not be required for a loan transaction when the receiver of the monetary resources is a bank or a non-banking financial institution which has a valid license of the National Bank for acceptance of deposits.

2. Loan transactions of banks shall be carried out in accordance with its credit policies to be approved by the supervisory council.

3. Credit Committee of a bank shall be the body to define its credit policies.

4. Articles on internal credit policies shall be elaborated for the purposes of reducing risks when performing loan transactions, and they shall define the following:

a) terms for granting loans to legal entities and physical persons;

b) terms for granting loans to officials and employees of the bank;

c) organizational structure, functions and authority of the credit committee;

d) responsibility of the credit committee members;

e) range of loans;

f) procedure for approval of credit agreements.

5. Provisions established in paragraphs 2-4 of this Article shall apply to quarantine transactions of banks.

Article 35. Ensuring Repayment of Loans

1. Repayment of loans may be ensured by forfeiture, pledge, guarantee, warranty or any other methods stipulated in legislation or agreement.

2. In the case of high credibility and reliability of the client, the bank shall have the right to adopt the decision to issue a loan without any security (blank credit).

3. In the cases, stipulated in the pledge agreement, as well as legislative acts, a bank shall have the right to independently sell pledged assets in a compulsory non-judicial procedure by way of holding sales (auctions).

4. The provisions established in paragraphs 1-3 of this Article shall apply to securing of guarantee transactions of banks.

Article 36. Measures Applicable to Insolvent Borrowers

A creditor bank shall have the following rights in relation to its borrower which does not execute the borrower's obligations under the credit agreement:

not to issue any new loans;

impose claims upon monetary resources kept in any accounts of the borrower (provided this is stipulated in the credit agreement);

appeal to the court with the application to recognize an insolvent borrower as bankrupt in accordance with legislation of the Republic of Kazakhstan.

Article 37. Statutes of Limitations

Statutes of limitations shall not apply to banks" claims to their borrowers in relation to improper implementation of credit agreements" provisions.

Article 38. Performance of Transfers of Monetary Resources

1. Banks shall carry out transfers of monetary resources in forms, by methods and in the procedure to be established by the National Bank.

2. In the case of improper execution of transfers of monetary resources a bank shall be held responsible in accordance with legislation of the Republic of Kazakhstan and the agreement concluded with the client (depositor).

3. International transfers of monetary resources shall be carried out by banks in forms, by methods and in the procedure used in International banking practice and which do not contradict current legislation of the Republic of Kazakhstan.

4. A bank shall have the right to write off monetary resources from clients" (depositors") accounts without their consent, provided there are documents which confirm forgery of payment documents, and also when the fact is established of their inclusion by mistake.

Article 39. Rates and Tariffs

Interest rates and commissions as well as tariffs for rendering of banking services shall be established by banks independently.

Article 40. Prohibition to Grant Privileges to Entities Associated with Banks by Special Relations

1. Banks shall be prohibited from granting privileged terms to persons who are associated with the bank by special relations.

2. The following shall mean granting of privileged terms:

entering of a transaction which due to transaction's nature, objectives, specific features and the risk, the bank would not enter with clients which are not entities associated with it by special relations;

levying of interest and payment for execution of a banking transaction or acceptance of a pledge which are lower than those required from other clients.

3. The following shall be recognized as entities associated with the bank by special relations:

a) any official person or executive of that bank and their close relatives;

b) a physical person which is a major shareholder of that bank, or an official person of a large participant of the bank, as well as their close relatives;

c) a legal entity in which the persons indicated in sub-paragraphs a) and b) of this paragraph are major participants;

d) a legal entity in which that bank is a major participant, officials of that legal entity and their close relatives.

4. Direct or indirect owner of more than ten per cent of shares (contributions of participants) with the voting rights in that legal entity shall be recognized as a malar participant of a legal entity.

5. A entity associated by special relations with one of a group of interrelated legal entities shall be recognized as an entity associated by special relations with each one of them.

6. Two and more legal entities shall be recognized as a group of interrelated legal entities even where only one of them is a major participant of the other.

7. Granting of a loan to an entity associated with the bank by special relations (issuing of a guarantee for the entity which is associated with the bank by special relations) may be carried out only by resolution of the Supervisory Council of that bank subject to provisions of paragraph I of this Article.

Chapter 4. Regulation of Banking Activities and Protection of

Depositor's Interests

Article 41. Methods of Regulating Banking Activities

For the purposes of ensuring financial stability of banks, protection of the interests of their depositors and also in order to support the stability of the monetary and credit system of the Republic of Kazakhstan, the National Bank shall carry out regulation of banking activities, in particular as follows:

by establishing prudential requirements and other norms and limits which are compulsory for banks' compliance, including norms of reserve provisions, provisions against doubtful and bad assets;

by issuing of instructions and other normative acts which are compulsory for banks" compliance;

by reviewing (auditing) activities of banks;

by issuing of recommendations for rehabilitation of banks" financial position, concerning suspension or restriction of certain types of banking transactions which involve higher risks.

Article 46. Limited Measures of Persuasion

1. In the cases where the National Bank identifies violations of prudential requirements and other norms and limits which are compulsory for compliance, violations of instructions and other normative acts of the National Bank, or reveals unlawful acts or failure to act by official persons and employees of the bank, which may threaten its financial safety and stability and also the interests of its depositors, clients and correspondents, the National Bank shall have the right to apply to the bank one of the following measures of persuasion:

a) require an obligatory letter;

b) compile a written agreement with the bank;

c) issue a warning;

d) issue a written prescription which is compulsory for execution.

2. An obligatory letter of a bank must contain the fact of recognition of existing drawbacks and a guarantee of the bank's management to eliminate them within specifically defined periods, counting also the list of scheduled measures.

3. A written agreement means an agreement between a bank and the National Bank concerning the necessity to immediately eliminate identified drawbacks and to approve priority measures in relation thereto.

4. A written prescription of the National Bank means ordinance to a bank to adopt correction measures aimed at elimination of identified drawbacks within established deadlines. Correction measures shall be indicated in the written prescription and they shall represent measures which are compulsory for execution as indicated in Article 45 of this Edict.

Challenging of a written prescription of the National Bank at court shall not suspend its execution.

5. A bank shall be obliged to notify the National Bank on the execution of the obligatory letters written agreement or written prescription within the deadlines indicated In that document.

6. A written warning shall be a notice by the National Bank on a possibility of applying to the bank of the sanctions stipulated in Article 47 of this Edict in the case where existing drawbacks are not eliminated within the deadlines established by the National Bank.

Article 47. Sanctions

1. The National Bank shall have the right to apply sanctions to a bank irrespective of persuasion measures applied to it earlier.

2. The National Bank shall have the right to apply the following measures as sanctions:

a) imposition and confiscation of fine on the bases established by legislation of the Republic of Kazakhstan;

b) suspension or annulment of the license for conducting all or certain banking transactions, on the bases established by Article 48 of this Edict;

c) conservation of a bank on the bases and in accordance with the procedure established in Articles 62-67 of this Edict;

d) revocation of a permission to open a bank, on the bases stipulated in Article 49 of this Edict.

Article 48. Bases for Suspending or Annulment of Licenses for Conducting of All or Certain Banking Transactions

1. Suspension or annulment of licenses for conducting of all or certain banking transactions shall be carried on one of the following bases:

a) non-compliance in the course of banking activities with the requirements of Article 20, sub-paragraph b) of paragraph I of Article 22, paragraph 6 of Article 26 of this Edict;

b) carrying out banking transactions with systematic (three and more times within twelve consecutive calendar months) violation of the norms of current banking legislation;

c) systematic (three and more times within twelve consecutive calendar months) improper execution of contractual obligations in relation to settlement and transfer transactions;

d) systematic (three and more times within twelve consecutive calendar months) violation of prudential requirements and other norms and limits which are compulsory for compliance as established by the National Bank;

e) non-compliance with the obligation to disclose the General Terms for conducting banking transactions established by Article 32 of this Edict;

f) violation of the prohibition established by Article 40 of this Edict in respect of granting privileges to entities associated with the bank by special relations;

g) non-presentation to the National Bank, or presentation of deliberately misleading reports and information;

h) violation of the normative acts of the National Bank.

2. The National Bank shall suspend or annul licenses for conducting of all or certain banking transactions in relation to the nature of a violation.

3. Annulment of a license for acceptance of all types of deposits and performance of loan transactions shall entail revocation of the permission to open the bank.

Article 49. Bases for Revocation of a Permission to Open a Bank

1. The revocation of a permission to open a bank shall be carried out upon any one of the following bases:

a) establishing within one year after the date of registration of a bank of unreliability of information on the basis of which that permission was issued;

b) delays in beginning to perform banking transactions for more than one year from the date of the state registration of the bank or thirteen months from the date of receiving the permission;

c) non-payment of the charter fund within one year after the registration of the bank;

d) performance of activities prohibited and restricted for banks in accordance with the provisions of Article 8 of this Edict;

e) performance by bank of transactions which are beyond the bounds of the bank's legal capacity as established by this Edict, the charter of the bank and the license (licenses) for conducting banking transactions;

f) decision of the bank to voluntarily cease its activities by way of reorganizing or liquidating;

g) bankruptcy of the bank.

2. A decision to revoke the permission to open a bank shall entail annulment of all earlier issued licenses for conducting banking transactions and it shall be the decision to liquidate the bank in the procedure established by this Edict.

Article 50. Banking Secrecy

1. The banking secrecy shall include information concerning existence, owners and numbers of accounts of depositors, clients and correspondents of the bank, concerning balances and movements of monetary resources in those accounts and accounts of the bank itself, concerning the bank's transactions (except for General Terms for Conducting Banking Transactions), as well as information concerning existence, owners, nature and value of clients assets which are kept in safe boxes, cases and premises of the bank.

2. Banks shall guarantee secrecy in respect of transactions and deposits of their depositors, clients and correspondents, as well as the secrecy of assets which are in safe boxes, cases and premises of the banks.

3. Official persons, employees of banks and any other persons which by virtue of exercising of their service duties have received access to information which constitutes a banking secret, shall be held criminally responsible for disclosure, except for the cases stipulated in paragraphs 4-8 of this Article.

4. A banking secret may be disclosed only to the owner of the account (assets), to any third party on the basis of the written consent of the account (assets) owner, issued during his personal presence in the bank, as well as to the persons indicated in paragraphs 5-8 of this Article for reasons stipulated thereunder.

5. Reference documents concerning availability and numbers of accounts (except for anonymous accounts) shall be issued to the bank to which the owner of the accounts) is a borrower, guarantor, warrantee, trustor or pledger, on the basis of a written request signed by the chairman of the board of the bank, or by person substituting for him, provided the documents are presented which confirm receipt of a loan.

6. Reference documents concerning balances and movements of monetary resources in the accounts of a legal entity shall be issued to the following:

a) bodies of inquire and preliminary investigations in relation to the cases which are being processed by them;

b) courts: in relation to the cases which are processed by them on the basis of the court decision;

c) tax authorities: in relation to issues associated with personal taxation of those under audits;

d) customs authorities: where foreign economic activities are carried out.

7. Reference documents concerning balances and movements of monetary resources in the accounts a physical person as well as information concerning the nature and value of his assets which are kept in safe boxes, cases and premises of a bank shall be issued to the following:

a) representatives of the physical person: on the basis of a notarially confirmed power of attorney;

b) bodies of inquire and preliminary investigation: in respect of the criminal cases processed by them in the cases where a seizure or claim may be imposed upon the monetary resources and any other assets of the physical person, which are in the account or safe custody of the bank, or confiscation of the assets;

c) courts: in respect of the cases which are processed by them on the basis of a court decision in the cases where a seizure or claim may be imposed upon the monetary resources and any other assets of the physical person, which are in the account or safe custody of the bank, or confiscation of the assets;

d) tax authorities: in relation to issues associated with personal taxation of those under audits;

e) customs authorities: where foreign economic activities are carried out.

8. Reference documents concerning existence of accounts of a physical person and concerning balances of monetary resources in them, as well as information concerning existence, nature and value of his assets which are kept in safe boxes and premises of the bank, in the case of the owner's demise, shall be issued to the following:

a) persons who are indicated by the owner of the account (assets) in the testator's will;

b) courts and notary offices: in relation to inheritance cases which are processed by them;

c) foreign consular institutions: in relation to inheritance cases which are processed by them.

Article 51. Imposition of Seizure and Claim Upon Monetary Resources and Assets Which are In a Bank

1. Seizure may be imposed upon monetary resources and any other assets of a legal entity or physical person, which are kept in a bank only on the basis of court decisions (verdicts) and resolutions of the bodies of inquire and preliminary investigation. Any expenditure transactions in the settlement accounts or any other accounts, except for correspondent accounts may be suspended by decisions of the tax and customs authorities, and claims may be applied only on the basis stipulated in legislation of the Republic of Kazakhstan.

2. Confiscation of monetary resources and other assets of a legal entity and a physical person, which are kept in a bank may only be carried out on the basis of a court decision (verdict) which entered into force.

Article 52. The System of Collective Insurance of Deposits

For the purposes of protecting the interests of depositors, banks shall have the right to carry out collective insurance of deposits by way of participating in interbank organizations, whose object of activities it is to insure against the risks of non-repayment of deposits for the purposes of compensating possible losses of depositors up to a fixed or otherwise determined amount In the case of the bankruptcy or termination of banking activities.

Chapter 5. Accounting and Reporting

Article 53. Financial (Operational) Year of a Bank

Financial (operational) year of a bank shall begin on the 1st of January and it shall end on the 31st of December. In the event that the registration of a bank is carried out after the 1st of January, then the first financial (operational) year shall begin from the date of the state registration of the bank and it shall expire on the 31st of December of the same year.

Article 54. Accounting and Reporting at Banks

1. Methodology and the rules for accounting in banks, the list, pro-formas, and deadlines for presentation of accounting, banking and any other reports, as well as responsibility for their violation, shall be established by the National Bank.

2. Banks shall be obliged to present to the National Bank, in pursuance of its request, any information concerning their assets, including those which are beyond the boundaries of the Republic of Kazakhstan, amounts accepted as deposits and loans granted, banking transactions performed and being performed, and any other information including information which constitutes banking secrets.

3. Employees of the National Bank shall be prohibited to divulge or transfer to any third parties information received in the exercise of the rights established by paragraph 2 of this Article.

Article 55. Publication of the Principal Indicators of Banking Activities

Banks shall publish annual reports including the annual balance-sheet and profit and loss account in accordance with the pro-formas and within the deadlines established by the National Bank, after confirmation by a firm of auditors (an auditor) which complies with the requirements of paragraph 4 of Article 19 of this Edict, of the reliability of information presented in them, and after the approval of the annual balance-sheet and profit and loss account by the annual meeting of the bank's shareholders.

Article 56. Registration and Storing of Documents

1. Banks shall be obliged to ensure strict accounting for and storing of documents which are used in bookkeeping and in compiling of reports.

2. The list of the principal documents which are subject to storing and the periods for their keeping shall be established by the National Bank.

Chapter 6. Audit of Banking Activities Article

Article 57. Audit of Banking Activities

1. Audit of bookkeeping accounts and reports, souring documents and any other information concerning banking activities may be carried out by a firm of auditors (an auditor) which has the right to conduct audits in accordance with legislation concerning auditing and which complies with the requirements of paragraph 4 of Article 19 of this Edict.

2. The National Bank shall be a single licensor in the territory of the Republic of Kazakhstan, authorized to issue licenses for performing audits of banking activities.

3. Audits of banking activities shall be carried out from the following points of view:

timeliness, fulness, and accuracy of registration of performed banking transactions in accounts and reports;

compliance of performed banking transactions with the requirements of this Edict, current legislation and normative acts of the National Bank;

compliance of performed banking transactions with general terms of their conduct, as well as compliance of the procedure for carrying out banking transactions with the internal Rules of the bank.

4. Results of an audit and their conclusions a firm of auditors (an auditor) shall present in a report to be presented to the Supervisory Council and the board of the bank.

5. A firm of auditors (an auditor) shall be obliged to present to the National Bank upon its request a copy report and information concerning the audit that was carried out.

Article 58. Licensing of Audit Activities in Relation to Banking Activities

1. Any legal entity or a physical person which has the legal capacity ; to carry out auditing in accordance with Law of the Republic of Kazakhstan "Concerning Auditing in the Republic of Kazakhstan hall have the right to apply to the National Bank with an application to be issued the license for the right to carry out auditing of banking activities.

2. Requirements applicable to an applicant and the list of documents to be attached to the application to be issued the license for the right to audit banking activities shall be established by the National Bank.

Article 59. Recognition of the Banking Audit Report as Invalid. Bases for annulment of Licenses for the Right to Audit Banking Activities

1. In any case, an audit report of a firm of auditors (an auditor) shall be recognized as invalid where:

a) the firm of auditors (auditor) is direct or indirect participant of the bank under audit, or its foundation party;

b) an auditor or any of its managers or employees who carry out the audit has the spouses a close relative or a close relative of the spouse who is an executive of the bank under the audit;

c) a firm of auditors (auditor) has monetary obligations to the bank under audit.

2. A license for the right to carry out audits of a bank shall be annulled by the National Bank upon any of the following bases:

a) recognition of audit reports of a firm as invalid for two and more times;

b) divulging or disclosure to third parties (except for the National Bank) of Information obtained in the course of audits and which constitutes banking or commercial secret;

c) a failure to present to the National Bank or presentation of deliberately false reports and information on audits;

d) presentation of deliberately false statements (confirmations) on the issues outlined in paragraph 4 of Article 16, sub-paragraph d) of paragraph 3 of Article 19, sub-paragraphed) of paragraph I of Article 21, sub-paragraph d) of paragraph 7 of Article 29, Article 55 of this Edict;

e) there are not auditor In the firm of auditors who has a valid license from the National Bank for the right to carry out audits of banking activities.

Section II. Terms of Changing the Legal Status and Termination of

Activities of Banks

Chapter 7. Reorganization of Banks

Article 60. General Terms of Reorganization of Banks

1. Reorganization (merger, adjoining, division, appropriation, transformation) of banks may be carried out upon the decision of the general meeting of the shareholders with the permission of the National Bank.

2. The decision of the general meeting of shareholders of a bank shall be the basis for submitting the petition to obtain the permission to carry out reorganization of that bank.

3. The following documents must be attached to the petition to obtain the permission of the National Bank for carrying out the reorganization of a bank:

a) the decision of the supreme authority of the bank to be reorganized;

b) documents which describe envisaged forms, procedure and deadlines for reorganization of the bank;

c) financial forecast of the consequences of the reorganization, including the estimated balance-sheet after its reorganization or/and of the legal entities to be formed as a result of the reorganization of the bank.

4. The petition to be issued the permission for conducting of reorganization of a bank must be processed by the National Bank within two months after the date of its acceptance.

5. A bank to be reorganized shall within two weeks from the date of receiving the permission from the National Bank for carrying out the reorganization be obliged to inform all of its depositors, clients, correspondents and borrowers of forthcoming changes, by way of direct notice and publication of appropriate advertisement in not less than two National newspapers.

6. The state registration or reregistration of legal entities which form as a result of reorganization shall be carried out in accordance with current legislation.

Article 61. Denial of Permission to Reorganize a Bank

Denial by the National Bank of issuing the permission to reorganize a bank shall take place for any of the following bases:

a) there in not relevant decision by the supreme authorities of banks to be reorganized;

b) violation of depositors" interests as a result of proposed reorganization;

c) violation of prudential requirements and other norms and limits which are compulsory for compliance, as a result of proposed reorganization;

d) violation as a result of proposed reorganization, or the requirements of anti-monopoly legislation.

Chapter 8. Bank Conservation

Article 62. The Concept of Bank Conservation

1. Conservation of a bank shall be a compulsory performance in accordance with the National Bank's decision, of a set of administrative, legal, financial, Institutional, technical and other measures and procedures in relation to a bank for the purposes of improving its financial position and the quality of its operation.

2. A bank may be subjected to conservation for any of the following reasons:

a) reduction of the coefficient of sufficiency of owned resources of the bank down to a level of 0.02 and lower, which is observed for three consecutive months,

b) a failure of the Bank to execute a written prescription of the National Bank.

3. Establishing of the conservation regime shall entail the appointment by the National Bank for a certain definite term of a temporary Administration for managing the bank or a temporary Administrator of the bank.

4. Conservation of a bank shall be carried out at the expense of the bank's own resources.

5. The decision of the National Bank to carry out conservation may be challenged by the bank's shareholders within nine days in a judicial procedure. Challenging of the indicated decision shall not suspend conservation of the bank.

Article 63. Temporary Administration for Managing a Bank (Temporary Administrator of a Bank)

1. Temporary Administration (temporary Administrator of a bank) shall be appointed by the National Bank from amongst its employees, or persons who are not its employees and who comply with the requirements stipulated in paragraphs 3-5 of Article 20 of this Edict.

2. The rights and obligations as weal as the terms of work remuneration of the chief and members of a temporary Administration (temporary Administrator of a bank) shall be established in a separate agreement to be concluded between the National Bank and a temporary Administration (temporary Administrator).

3. Temporary Administration (temporary Administrator of a bank) in their activities shall be guided by this Edict, the normative acts of the National Bank and other legislation of the Republic of Kazakhstan.

4. The National Bank shall have the right to replace members of a temporary Administration (temporary Administrator of a bank).

5. The chief and the members of a temporary Administration (temporary Administrator) shall bear-the responsibility established by current legislation for damage inflicted to the bank. It shall be prohibited to delegate to the chief and the members of a temporary Administration (temporary Administrator of a bank) the responsibility for the damage which may be referred to a category of normal business risk.

Article 64. Resolution on Conducting the Conservation

1. The decision of the National Bank to carry out the conservation of a bank shall be formulated as a resolution of the Board of the National Bank and it must contain the following:

a) name of the bank and its address;

b) substantiation of the decision on conservation of the bank;

c) effective beginning and term of conservation;

d) the list of restrictions of activities imposed on the bank;

e) personal membership of the temporary Administration or Name, Patronymic and Surname of the temporary Administrator;

f) prescription to executives of the bank which is under the regime of conservation, on preparation of the report in their work, declaration of income, information on existence and size of (their) property and on submission of those documents to the temporary Administration (temporary Administrator of the Bank);

g) recommendations to the temporary Administration (temporary Administrator).

2. Resolution of the Board of the National Bank on conducting conservation of a bank shall be published by the National Bank in not less than two National newspapers.

Article 65. Special Considerations in Administering a Bank During its Conservation. Powers of a Temporary Administration (Temporary Administrator) in Respect of Managing of the Bank)

1. With the beginning of effect of conservation and during its period:

a) the rights of the bank's shareholders shall be suspended in respect of its managing;

b) the authority shall be suspended of the bank's bodies and of its executives;

c) all the powers associated with managing of the bank shall be transferred to the temporary administration (temporary administrator);

d) all the transactions committed on behalf and at the expense of the bank without informing and without a written consent of the temporary Administration (temporary Administrator of the bank) shall be recognized as invalid.

2. A temporary Administration (a temporary Administrator of the bank) shall have the following rights:

a) to independently adopt decisions on any issues of activities of the bank taking into account the requirements of Article 66 of this Edict;

b) where necessary, fully or partially to suspend obligations of the bank in respect of adopted deposits for the period of conservation;

c) where necessary to annul agreements concluded by the bank, which envisage investments of the bank's resources" or introduced to them amendments and additions in unilateral procedures including changes in tariff and effective dates;

d) sign any agreements and documents on behalf of the bank;

e) present claims on behalf and in the interests of the bank;

f) issue orders, including orders of dismissal, demotion and temporary suspension from office, division of duties between the employees of the bank.

Article 66. Supervision of Activities of a Temporary Administration (A Temporary Administrator) of a Bank in Relation to Managing of the Bank

1. During the term of conservation of a bank, the supervision of the activities of the temporary Administration (temporary Administrator of the bank) shall be carried out by the National Bank which shall have the following rights:

a) issue recommendations to the temporary Administration (temporary Administrator of the bank) concerning the main directions of efforts during the period of conservation of the bank (propose a schedule of the main efforts);

b) issue written instructions which are compulsory for execution by the temporary Administration (temporary Administrator of the bank);

c) require presentation by the temporary Administration (temporary Administrator of the bank) of any information concerning its (his) activities and activities of the bank;

d) hear reports of the temporary Administration (temporary Administrator of the bank) concerning performed work;

e) extend the term of conservation;

f) adopt the decision concerning the end of conservation of the bank.

2. Detailed regulation of the activities of the temporary Administration (temporary Administrator of the bank) and the principles of its (his) relations with third parties, shall be determined by the normative acts of the National Bank.

Article 67. Cessation of Conservation

1. Conservation of a bank shall cease on the following bases:

a) expiry of the term of conservation established by the decision of the National Bank;

b) adoption of decision by the National Bank on early cessation of the conservation.

2. Cessation of conservation of a bank (including early) in relation to recovery of its financial position and to improvement of quality of operation shall entail abolition of all the requirements in relation to that bank, established by the National Bank or its temporary Administration (temporary Administrator of the bank). In that respect, alterations and additions introduced during the period of conservation to foundation documents, to governing bodies and the membership of employees shall remain in force.

3. In the event that conservation of the bank has not led to recovery of its financial position and improvement of quality of operation, the National Bank shall have the right to carry out the compulsory liquidation of the bank.

Chapter 9. The Procedure for Liquidation of Banks

Article 68. Types of and Bases for Liquidation of Banks

1. A bank may be liquidated as follows:

a) upon decision of its shareholders where there is permission of the National Bank;

b) upon the decision of the National Bank;

c) upon the decision of the court in the cases stipulated by legislative acts of the Republic of Kazakhstan.

2. The resolution of the Board of the National Bank to revoke the permission to open a bank and to annul licenses for conducting banking transactions, shall be the basis for the liquidation of the bank from the moment of its adoption.

3. From the date of adoption of the decision on compulsory liquidation of a bank and prior to the commencement of work of the Liquidation Commission, the operational management of the bank shall be delegated to the temporary Liquidator to be appointed by the National Bank. Powers of a temporary Liquidator of a bank shall be defined by the National Bank.

Article 69. A Voluntary Liquidation of a Bank

1. A bank on the basis of the decision of the general meeting of shareholders shall have the right to appeal to the National Bank with the petition to be issued the permission for its voluntary liquidation.

2. To the petition to be issued the permission of the National Bank for voluntary liquidations a bank shall attach the list of steps and stages in preparation of the bank to termination of its activities as approved by the general meeting of the shareholders, the balance sheet which witnesses the completion of settlements of the bank on its obligations and other necessary information.

3. A petition to be issued the permission for a voluntary liquidation of a bank must be processed by the National Bank within two months from the date of submission of the petition.

4. In the case of the denial of permission for voluntary liquidation of a bank, the National Bank must substantiate its decision and to communicate the denial to the management and shareholders of the bank.

5. The decision to issue the approval of the voluntary liquidation of a bank shall be adopted by the Board of the National Bank with a compulsory indication of revocation on that basis of the permission to open the bank and annulment of the license for conducting of banking transactions.

6. When the permission Is received from the National Bank for a voluntary liquidation, the bank shall form the Liquidation Commission to which the powers shall be transferred, associated with the managing of the bank. That Commission shall include one or more representatives from the National Bank as observers.

7. After receiving of the permission for a voluntary liquidation, a bank shall be obliged to publish information on that in two National newspapers.

8. The Liquidation Commission shall be obliged within seven days after the approval to present to the National Bank and the Ministry of Justice the liquidation balance sheet and the report.

Article 70. Compulsory Liquidation of a Bank

1. In the event of a revocation of the permission to open a bank and the annulment of the license for conducting of banking operations, the National Bank shall have the right to carry out a compulsory liquidation of the bank, which shall be carried out in a non-judicial procedure by the Liquidation Commission.

2. A compulsory liquidation of a bank shall be carried out on the bases indicated in Articles 48 and 49 of this Edict.

3. A Liquidation Commission may include persons who are not employees of the National bank nor of the bank to be liquidated.

The rights and obligations of the members of the Liquidation Commission and any other terms shall be defined in agreements to be concluded with those persons.

Persons Included in a Liquidation Commission shall be obliged to participate in its activities until the completion of the bank liquidation process.

4. The National Bank shall have the right to adopt the decision concerning the introduction of alterations to the membership of the Liquidation Commission or its entire replacement.

5. A Liquidation Commission shall carry out its activities In accordance with legislation of the Republic of Kazakhstan.

Special considerations In activities of bank Liquidation Commissions shall be established by normative acts of the National Bank.

6. The Liquidation Commission shall compile its report on liquidation of the bank as well as the liquidation balance sheet and It shall send it to the National Bank for approval. A liquidation balance sheet and a report on liquidation of a bank shall be subject to publication in two National newspapers.

Article 71. Restrictions of Activities of a Bank Which is Subject to Compulsory Liquidation

1. From the date of adoption by the National Bank of the decision on the compulsory liquidation of a bank and until the liquidation proceedings are completed, the powers of the general meeting of the shareholders and of the other bodies of the bank shall be suspended.

2. Information concerning the decision adopted by the National bank on compulsory liquidation of a bank must be published in two National newspapers.

3. Acts which are carried out on behalf or at the expense of the bank to be liquidated, may have legal force only in the case where they are committed by the chief of the Liquidation Commission or on the basis of a power of attorney issued by him.

4. Periods of all the debt obligations of a bank to be liquidated shall be deemed to have expired.

5. Accrual of penalties and interest shall cease with regard to all types of debts of the bank to be liquidated.

6. All the claims of property or financial nature from that moment may only be applied to the Liquidation Commission of the Bank.

Article 72. Evaluation of Properties and Debts of a Bank. Costs (Expenditures) Associated with Liquidation

1. Total assets of a bank to be liquidated shall form the basis for the formation of the liquidation (auction) mass.

Compilation of inventories and evaluation of the bank's assets shall be carried out with the assistance of hired experts.

2. The Liquidation Commission shall have the right to sell assets of the bank to be liquidated at public auctions.

3. Any costs relating to liquidation of a bank shall be carried out only at the expense of that bank.

When carrying out settlements on obligations of a bank, the expenditures associated with the liquidation proceedings" execution of functions of the entrusted person, and also those ensuing from the necessity to provide for the functioning of the bank, shall be made in a priority procedure.

4. It shall be prohibited to the National Bank to finance expenditures associated with the liquidation of a bank.

5. Claims of creditors which are not satisfied because of a shortage of assets of the bank under the compulsory liquidation, which are not recognized by its Liquidation Commission, shall be deemed to be canceled.

Article 73. Monitoring by the National Bank of Activities of Banks to be Liquidated

1. A Liquidation Commission of a Bank at the first request of the National Bank shall be obliged to present comprehensive information on its work, reports and any other information.

2. Information on activities of the Liquidation Commission and on financial position of a bank may be sent to any other bodies and organizations only with the permission of the National Bank.

Article 74. Recognition of a Bank as Bankrupt

1. Creditors of a bank shall have the right to file action with a court to recognize a bank as bankrupt.

2. Recognition of a bank as bankrupt and its liquidation in a judicial procedure may be effected only subject to special considerations established by this Edict.

Section III. Conclusive Provisions

Chapter 10. Conclusive Provisions

Article 75. The Sphere of Application of this Edict

1. The provisions of this Edict shall apply to any banks which carry out their activities in accordance with legislation of the Republic of Kazakhstan, including those established in a special-purpose procedure i.e. on the basis of separate legislative and normative acts which regulate the initial stage of their organization.

2. Prior to the adoption of a specific legislative act concerning non-banking financial institutions, the requirements of this Edict shall also apply to all operating non-banking institutions which carry out banking transactions and to those which are being formed.

3. The status and procedure for creation and activities of non-banking financial institutions, the list of banking transactions which are carried out by them and the bases for receipt of permissions for that, possible restrictions of their activities shall be established by the normative acts of the National Bank.

4. Provisions of this Edict shall apply to the National Bank only in the cases specifically stipulated in this Edict.

Article 76. Responsibility for Violation of This Edict

1. In the cases of performing banking transactions without appropriate licenses of the National Bank, income from those transactions shall be confiscated into the Republic's Budget.

2. Audit of banking activities performed by a firm of auditors which has not the license from the National Bank shall be deemed to be invalid, and any income from those activities shall be subject to confiscation into the Budget of the Republic.

3. For placement of advertisements which are not consistent with the reality, banks and also legal entities which have not the license of the National Bank for performing of banking transactions, concerning rendering the services which fall into the category of banking transactions, shall be held responsible in accordance with legislation of the Republic of Kazakhstan.

Article 77. Challenging Acts of the National Bank

Acts of the National Bank of the Republic of Kazakhstan In the sphere of regulating banking activities, may be challenged in a judicial procedure.

Article 78. This Edict's Entering into Force

1. This Edict shall enter into force from the date of its publication.

2. In the event that violations are revealed of the procedure for the formation of charter fends of banks, committed during the period of validity of Law of the Republic of Kazakhstan, dated April 14, 1993 "Concerning Banks in the Republic of Kazakhstan" sanctions stipulated in this Edict shall apply to the banks from the date of this Edict's entering into force.

President

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| of the Republic of Kazakhstan | N. Nazarbaev |