

LAW No. 2155, MARCH 30, 1995
OF THE REPUBLIC OF KAZAKHSTAN

ON THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

(as amended and supplemented pursuant to decrees of the President of the Republic of Kazakhstan with the force of law No. 2370, July 20, 1995; No. 2396, August 2, 1995; No. 2672, December 5, 1995; No. 2830, January 27, 1996; and laws of the Republic of Kazakhstan No. 18-1, July 3, 1996; No. 50-1, December 7, 1996; No. 1 54-1, July 11, 1997; No. 200-1, December 8, 1997; No. 2 36-1, June 29, 1998; No. 436-1, July 16, 1989; No. 42-II, March 29, 2000; No. 128-II, December 18, 2000; No. 162-II, March 2, 2001; No. 182-II, May 3, 2001; No. 482-II, July 9, 2003; No. 483-II, July 10, 2003)

CHAPTER I. 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 shall comprise 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 legislation 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 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 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 Deputy Chairmen 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 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 his authority.

Article 4. Regulatory legal acts of the National Bank of Kazakhstan

The National Bank of Kazakhstan shall publish regulatory legal acts concerning 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 performing 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 6. The National Bank of Kazakhstan as a legal entity

The National Bank of Kazakhstan shall have the organizational legal form of a legal entity, it shall have an independent balance sheet, and it 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 II. MAIN GOAL, TASKS, FUNCTIONS, AND POWERS OF THE NATIONAL BANK OF KAZAKHSTAN

Article 7. 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.

To accomplish the main goal, the National Bank of Kazakhstan shall be assigned the tasks hereunder:

- 1) developing and implementing 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 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 on 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 liability 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) deleted;

d) deleted;

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 the particular person; cash operations; transfer operations; recordkeeping operations; settlements by order of individuals and legal entities, including correspondent banks, with their bank accounts; interbank clearing; safe operations; securitized loan operations; issuing payment cards; 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, and in cases established by legislative acts of the Republic of Kazakhstan, issuing an opinion to the authorized state body for the regulation and supervision of the financial market and financial organizations (henceforth -- authorized body) regarding the possibility for the authorized body's issuance of licenses for certain kinds of banking operations;

f) deleted;

f-1) deleted;

g) shall regulate fees (interest rates) for credits in the Republic of Kazakhstan.

In the event that it is not possible to curb inflationary processes in the Republic of Kazakhstan using monetary control methods, the National Bank of Kazakhstan shall have the right to impose restrictions on lending and bank fees (interest rates) for credits;

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 engaging in certain kinds of banking operations to ensure the reliability and security of automated systems used by them, and the protection of banking information;

h-1) shall establish regulations on providing electronic banking services in the performance 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 operations involving the use of foreign exchange valuables;

i-2) shall issue licenses to organizations engaging in certain kinds of banking operations to engage in exchange operations with foreign exchange, and to carry out operations concerned with the collection and shipment of banknotes, coins, and valuables, and interbank clearing;

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;

k) shall develop and approve, in consultation with the authorized body for regulation of the accounting and financial reporting system, accounting standards concerning matters not regulated by international financial reporting standards and not conflicting therewith, and methodological recommendations thereon;

k-1) shall establish the list, forms, and submission deadlines of statistical reports in consultation with the authorized state body in matters falling within its authority;

k-2) 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;

l) with the aim 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 the infrastructure of the financial market;

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 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 and monitoring of contracts for nongovernmental foreign loans not backed by government guarantees; and shall prepare estimates of the country's gross foreign debt;

p-1) shall compile the state's monetary 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 the training of personnel for the banking system in the Republic of Kazakhstan;

s) shall service the unified treasury account of the Republic of Kazakhstan Ministry of Finance;

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 Republic of Kazakhstan government and published in 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 Republic of Kazakhstan government, which shall be published in official press;

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

s-6) shall set aside resources of banks for the purposes of regulating the volume of credits granted by banks in order to lower the risk of default by banks under their obligations, and to protect the interests of the depositors and shareholders of banks;

s-7) shall establish quantitative limits on certain kinds of operations and transactions of banks;

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

CHAPTER III. 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 Kazakhstani tenge by transfers from 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 Supervisory Board 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 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 problem 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

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.

Net income of the National Bank of Kazakhstan, less the amount of general provisions (reserves) created for bank assets, shall be earmarked as necessary for the formation of authorized and 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 Republic of Kazakhstan president, the remaining net income earned shall be transferred to the republican budget in the next fiscal year.

In the event that the profit earned is insufficient to form authorized and reserve capital, the resulting difference shall be made up using net income of the National Bank of Kazakhstan of subsequent fiscal years.

CHAPTER IV. 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 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. 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 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 operation 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 of government monetary policy;
- b) confirmation of regulatory legal acts drafted by the National Bank of Kazakhstan concerning certain issues of banking activity, accounting, payments and money transfers, circulation of bills, and conduct of foreign exchange operations, and supervision of compliance therewith;
- 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;
- d) establishment of the official refinancing rate for operations between the National Bank of Kazakhstan and banks;
- e) deleted;
- f) adoption of decisions to issue licenses to perform certain types of banking operations provided for by this Law, to suspend and revoke such licenses, and to apply other sanctions provided for by banking legislation;
- 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) deleted;

g) confirmation of reserve requirements for banks;

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

i) confirmation of the procedure for setting the exchange rate of the currency of the Republic of Kazakhstan;

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 of the National Bank of Kazakhstan and the Statute on the National Bank of Kazakhstan;

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

l) approval of regulatory legal acts on the procedure for the formation of its authorized and reserve capital, on the use of its fixed assets and other property, on the budget (expenditure estimate) of the National Bank of Kazakhstan, on rendering paid services, and on confirmation of departmental directors and managers of branch offices, representative offices, and organizations of the National Bank of Kazakhstan;

m) deleted;

n) determination and confirmation 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;

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

q) determination of accounting policy and methods for the National Bank of Kazakhstan, taking into consideration international financial reporting standards;

r) deleted;

s) confirmation 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 Republic of Kazakhstan government;

t) 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 Deputy 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).

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

The Chairman of the National Bank of Kazakhstan or a Deputy Chairman shall obtain prior approval from other members of the Supervisory Board of the National Bank of Kazakhstan regarding the imposition of an administrative fine against officials of banks and organizations engaged in certain types of banking operations, and shall adopt a decision on the given matter in the form of a relevant resolution.

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;

v) distribution of the net income of the National Bank of Kazakhstan;

w) designation of officials (on a level not below the Deputy Chairman of the National Bank of Kazakhstan) whose powers include operational decision-making on fiduciary management of assets transferred on the basis of fiduciary property management agreements executed between the National Bank of Kazakhstan and the government of the Republic of Kazakhstan.

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, five officials of the

National Bank of Kazakhstan, one representative of the President of the Republic of Kazakhstan, and two representatives of the Republic of Kazakhstan government.

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.

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

Deputy Chairmen 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 Deputy Chairmen) 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 V. 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 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 and foreign exchange policy.

The Chairman of the National Bank of Kazakhstan or one of the Deputy Chairmen shall have the right to participate in meetings of the government with a voice but no 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 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 Republic of Kazakhstan government, 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 Republic of Kazakhstan government

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

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 Republic of Kazakhstan Ministry of Finance 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 circulation of securities

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 Republic of Kazakhstan Ministry of Finance.

CHAPTER VI. 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 a low level of inflation and soundness of the domestic currency.

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 operations of monetary policy

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

1) granting loans;

2) accepting 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 to regulate the volume of credits granted by banks, to reduce the risk of banks' defaulting on their obligations, and also to protect the interests of banks' depositors and shareholders.

The reserve requirement shall be calculated as a percentage of total obligations, less obligations to banks, and shall not exceed 40 percent.

In exceptional cases the National Bank of Kazakhstan shall have the right to impose reserve requirements for an increase in obligations.

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 bank within one week 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 commercial bills

The National Bank of Kazakhstan shall establish the procedure for rediscounting 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 VII. 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. Legal tender

The Kazakhstani tenge shall be the legal tender 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 through the sale of banknotes and coins to banks, in exchange for the noncash equivalent.

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.

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 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.

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 VIII. ORGANIZATION OF PAYMENTS AND MONEY TRANSFERS

Article 48. Powers of the National Bank of Kazakhstan in the organization of payments and money transfers

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.

Article 48-1. Powers of the National Bank of Kazakhstan to organize and regulate payment systems

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

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.

CHAPTER IX. 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 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. Deleted

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 engage 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;

- to roll over (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 X. ACTIVITIES OF THE NATIONAL BANK OF KAZAKHSTAN IN THE AREA OF FOREIGN ECONOMIC RELATIONS. OPERATIONS WITH FOREIGN EXCHANGE ASSETS

Article 55. Deleted

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. It shall establish the procedure to be followed by residents in the mandatory transfer of foreign currency and securities in foreign currency to 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 stipulated by the foreign exchange legislation, 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 Republic of Kazakhstan Ministry of Finance and the authorized state statistics agency, shall establish the procedure and forms for accounting and reporting on foreign exchange operations binding on all legal entities and individuals in the Republic of Kazakhstan;

h) shall maintain and publish the Register of Authorized Banks;

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.

In cases in which it has been established that institutions conducting foreign exchange purchase, sale, and exchange operations have violated current legislation, it shall have the right to revoke a license to conduct foreign exchange operations;

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) shall grant permission to export foreign exchange assets, except for precious metals, and shall also maintain a record of bank credits received from nonresidents of the Republic of Kazakhstan;

m) shall offer suggestions regarding the attraction of additional credits from nonresidents of the Republic of Kazakhstan;

n) shall impose and lift requirements for the surrender of foreign exchange earnings from the export of goods (work, services).

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 the licensing of operations involving precious metals, precious stones, and jewelry, following the procedure established by the current legislation of the Republic of Kazakhstan;
- 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, repos and reverse repos, 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 at 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;
- 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 and the need to preserve the purchasing power of foreign assets.

The National Bank of Kazakhstan must support foreign assets at the level necessary to ensure the stability of the national currency and to support its exchange rate.

In the event that the level of foreign assets falls by more than 15 percent over a 12-month period, the National Bank of Kazakhstan shall work in conjunction with the government to develop measures needed to avoid or correct this situation.

Article 60. Gold and foreign exchange asset revaluation account

Unrealized income of the National Bank of Kazakhstan over the course of a fiscal year that are the consequence of changes in the valuation of assets or liabilities of the National Bank of Kazakhstan consisting of gold or foreign currency or in the value of gold, shall be dealt with by a revaluation effected during the fiscal year, and the difference shall be applied to the revaluation account, less realized revenues and expenditures.

The amount accumulated from revaluation of gold and foreign exchange assets shall compensate for the negative amount of the net position of unrealized revenues and expenditures from revaluation of gold and foreign exchange assets in the current year, and when assets are retired, it shall be charged to realized revenues by procedure established by the National Bank of Kazakhstan.

CHAPTER XI. 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 organizations engaging in certain kinds of banking operations in accordance with this Law and banking legislation of the Republic of Kazakhstan.

The National Bank of Kazakhstan shall promote the creation of common conditions for the functioning of the banking network, and the introduction of principles of fair banking competition.

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, and protecting the interests of banks' creditors, depositors, and customers.

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

In order to prepare banking and financial statistics, and to analyze the economic situation, the National Bank of Kazakhstan shall have the right to obtain the necessary information from banks, organizations engaging in certain kinds of banking operations, and their associations, and regulatory agencies, ministries, and departments of the republic.

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;
- 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. Deleted

Article 63. Deleted

Article 64. Deleted

CHAPTER XII. 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 currency circulation, credit, finances of the banking system, and foreign exchange policy;
- 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 shall be audited annually by an independent auditing organization appointed by the Supervisory Board of the National Bank of Kazakhstan.

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 XIII. CONCLUDING 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. Deleted

Article 74. Entry into force of this Law

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

N. Nazarbayev,
President of the Republic of Kazakhstan