

LAW ON BANKS IN THE REPUBLIC KAZAKHSTAN

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The present Law determines the principles of structuring and the functions of conducting the banking system of the Republic Kazakhstan, the legal foundations of the effectuation of banking operations and the rights and responsibility of banks in mutual relations between themselves and with the National Bank of the Republic Kazakhstan, and also provides legal guarantees for the defense of the interests of depositors and creditors.

Section 1. General Provisions

Article 1. Concepts Or Bank and Deposit

A Bank- is an institution empowered in accordance with the present Law to attract monetary assets and to place them on conditions of repayability, pay ability, and periodicity, and also to effectuate banking operations not prohibited by legislation.

No juridical person, unless it has the official status of a bank, may be named a "bank" or characterize itself as engaging in banking activity.

The official status of a bank shall be determined by an authorization of the National Bank of the Republic Kazakhstan to open a bank and the presence of a license to conduct banking operations.

A Deposit - is monetary amounts deposited for keeping in a bank on conditions that the said amounts must be returned (irrespective of return in full, partial, or larger amount) and which may be used for the issuance of loans. No one except a bank may accept deposits.

Article 2. Banking System in Republic Kazakhstan

The Republic Kazakhstan shall have a banking system represented by the National Bank - the central bank of the Republic Kazakhstan (hereinafter: NatBank) and a network of State, private, joint-stock, joint, and foreign banks (hereinafter: banks).

Banks whose charter fund is formed wholly at the expense of assets of the State shall be relegated to State banks.

Banks whose charter fund has been formed from the assets of juridical persons of the private form of ownership and natural persons shall be relegated to private banks.

Banks created on the basis of a voluntary agreement of stockholders (juridical and natural persons, including foreign), the charter fund of which has been formed from share contributions and stocks of the stockholders of the bank, shall be relegated to joint-stock banks.

Banks shall be guided in their activity by the present Law, prevailing legislation of the Republic Kazakhstan, international norms, normative acts of NatBank, and their own charters.

Article 3. Delimitation of Responsibility of State and Banks, Independence of Banks

Banks in the Republic Kazakhstan shall not be liable for obligations of the State, and likewise the State shall not be liable for the obligations of banks, except for instances when the banks or the state assume such responsibility.

Banks shall be independent from the representative and executive agencies of power when taking decisions connected with operational banking activity.

In order to coordinate their activity, jointly effectuate large-scale investments, and reduce risks when conducting banking operations banks in the Republic Kazakhstan may create banking associations.

Article 4. Banking Operations

Banks may fulfill the following operations:

- attract deposits on a paid basis;
- conduct the account of clients and correspondent banks;
- effectuate the settlement of accounts on behalf of clients and correspondent banks and the cashier servicing thereof;
- grant to juridical and natural persons short-term and long-term credits on the conditions of repayability, pay ability, and periodicity;
- finance capital investments on behalf of the possessors or disposers of assets being invested;
- issue own securities (or cheques, bills of exchange, letters of credit, deposit certificates, stocks, and other debt obligations) in the procedure provided for by law;
- purchase, sell, and keep payment documents and other securities and other operations with them;
- issue surety ships, guarantees, and other obligations for third persons providing for performance in monetary form;
- acquire the right of demand for deliveries of goods and rendering of services, accept risks of the performance of such demands and the encashment of such demands (factoring);
- render broker services with regard to banking operations, act as an agent of clients at their risk;
- services relating to the keeping of documents and valuables for clients (safe business);
- finance commercial transactions, including without the right of risk against the seller (forfeiting);
- trust operations on behalf of clients (attraction and placement of assets, management of securities, and others);
- render consulting services connected with banking activity;

- effectuate leasing operations;
- effectuate other activity connected with the operations enumerated in the present Article;
- fulfill operations on a contractual basis relating to the cashier performance of the republic and local budgets on behalf of NatBank. When there exists a special license of NatBank, banks may effectuate other banking operations, including:
 - conduct operations with foreign currency;
 - attract monetary deposits of the populace;
 - render services relating to the sending of money (encashment).

Banks and their branches, except for specialized State investment banks, shall be prohibited from effectuating activity in the sphere of material production, trans in material valuables, including participation in charter capital, and all types of insurance activity, except for insuring monetary and credit risks, and the creation of banks.

All natural and juridical persons, except banks, shall be prohibited from effectuating operations relating to the attraction of assets on deposit, the settlement of accounts between economic subjects, the realization of cash assets for their noncash equivalent ; revenues from- the said operations shall be seized for the republic budget and the guilty persons shall be brought to responsibility in the procedure established by law.

Article 5. Branches and Representations of Banks and Subsidiary Banks

Banks may create their branches and subsidiary banks both on the territory of the Republic Kazakhstan and beyond its limits with the authorization of the NatBank, and their representations with the subsequent notification of NatBank.

A branch of a bank - is a banking institution effectuating banking operations within the limits of the rights delegated to it by the parent bank. The branch of a bank is not a juridical person, does not have an autonomous balance sheet, and functions within the limits of the assets and powers granted to it by the parent bank.

A representation of a bank - is a structural subdivision which is not a juridical person operating in the name and on behalf of the bank and effectuating specified types of banking operations, except for the attraction of deposits.

A subsidiary bank - is a banking institution which is a juridical person in which more than 50% of the charter fund belongs to the parent bank.

Article 6. Charters of Banks

Banks shall operate on the basis of their charters confirmed by the stockholders or founders.

The charter of a bank must contain:

- the name of the bank and its location (or postal address);
- a list of banking operations effectuated by the bank;
- the amount of the charter fund and a list of other funds formed by the bank;
- a provision on the management organs of the bank, its control organ, the structure thereof, the procedure of formation and functions;
- a provision that the bank is a juridical person;
- the procedure for liquidating the bank.

Article 7. Formation of Charter Fund Or Banks

The charter fund of a bank shall be formed from:

- the issuance of stocks;
- the contributions of the founders.

It shall be prohibited to use for the formation of the charter fund assets received on credit or on pledge. In the event facts of the use of credits or assets obtained under pledge for the formation of the charter fund are established, this amount shall be returned to the lender, and the authorization to open the bank shall be revoked. Illegally received revenues shall be credited to the republic budget.

The minimum amount of the initial charter and reserve funds shall be established by NatBank.

Article 8. Founders and Participants of Banks

Juridical and natural persons shall be founders and participants (or stockholders) of banks. The State may be a founder and participant of a bank only in the person of the Government.

The participatory share of participation of any of the founders, participants (or stockholders) must not exceed 35% of the charter fund, except for State and subsidiary banks.

Article 9. Joint and Foreign Banks

Joint banks on the territory of the Republic Kazakhstan shall be considered to be banks whose charter fund is formed in freely convertible currency of juridical and natural persons and other States. Juridical and natural persons of the Republic Kazakhstan shall have the right to contribute their participatory share to the charter fund of the bank in the currency of the Republic Kazakhstan.

In so doing the participatory share of a foreign founder must be not less than 36% but not more than 50% of the charter fund.

The activity of joint and foreign banks, and also of subsidiary banks of other countries, shall be regulated by prevailing legislation of the Republic Kazakhstan.

If the charter fund in freely convertible currency has been formed wholly from the assets of foreign juridical and natural persons, the bank shall be considered to be foreign.

Foreign banks may open subsidiary banks and their representations on the territory of the Republic Kazakhstan.

The activity of joint and foreign banks, and also of subsidiary banks of other countries, shall be regulated by prevailing legislation of the Republic Kazakhstan.

Section II. Savings

Article 10. Deposits of Populace

Deposits of the populace may be accepted by banks on the territory of the Republic Kazakhstan according to a special license of NatBank.

Banks autonomously shall establish the conditions on which they effectuate operations with regard to accepting deposits of the populace.

Revenues of the populace with regard to deposits shall not be subject to taxation.

Article 11. Depositors

Citizens of the Republic Kazakhstan, foreign citizens, and stateless persons may be depositors.

Depositors shall be free to choose a bank to keep their savings, may have their deposits in one or several banks, dispose of these deposits, receive revenue with regard to them in the form of interest and in other form offered by banks, and perform noncash settlement of accounts.

Article 12. Rights of Minors With Regard to Depositors

Deposits made by anyone in the name of a minor shall be disposed of until the minor reaches 15 years of age by the parents or other legal representatives of the minor, and upon reaching the age of 15 to 18 years, by the possessor of the deposit himself, but with the consent of his parents or other legal representatives.

A minor from 15 to 18 years of age who had made a deposit in a bank shall autonomously dispose of this deposit.

Article 13. Specialized Savings Bank of Republic Kazakhstan (KazSberBank)

KazSberBank shall be a specialized State bank effectuating operations relating to the attracting and keeping of monetary assets of the populace and credit-settlement of account servicing of natural and juridical persons.

The State shall guarantee the preservation of the deposits of citizens in KazSberBank.

The State shall not bear responsibility for the deposits of the populace in other banks.

Section III. Foreign Economic Activity of Banks

Article 14. Types of Banking Operations with Foreign Currency

In accordance with a license received from NatBank, banks may effectuate the following types of operations with foreign currency:

- (a) accept and place assets in foreign currency in accounts and on deposit from republic, foreign, and international banks and other organizations, as well as natural persons;
- (b) attract under own guarantee from foreign and international banks and other organizations and grant to banks and organizations credits and loans in foreign currency in the forms used in international banking practice, and also grant security for credits and loans received in the form of bills of exchange, bonds, other securities, and other monetary obligations of the bank;
- (c) purchase and sell payment documents in foreign currency from juridical and natural persons, and also conclude other transactions and perform banking operations with these documents;
- (d) effectuate the purchase and sale of foreign currency on the international and internal currency exchanges and auctions;
- (e) conclude inter-bank agreements with banks of foreign States relating to the establishment of correspondent relations;
- (f) effectuate cashier servicing of their clients in foreign currency;
- (g) effectuate credit operations connected with foreign trade and other types of foreign economic operations;
- (h) conduct all types of international settlement of accounts on behalf of correspondent banks;
- (i) effectuate trade and nontrade operations in foreign currency;
- (j) perform other operations in accordance with international banking practice.

Article 15. Currency Funds of Banks

Banks may create currency funds from profit in foreign currency.

The assets of currency funds shall, after the payment of debt obligations of the bank, shall be used for production and social development autonomously.

Section IV. Procedure for Opening and Termination of Activity of Banks

Article 16. Procedure for Creation of Banks and Their Activity

NatBank shall issue an authorization for the creation of banks on the territory of the Republic Kazakhstan and keep the registration book of banks and their branches.

The issuance of an authorization shall be effectuated on a paid basis in the amounts established by NatBank.

When issuing the authorization NatBank shall determine the group of banking operations to be fulfilled.

Article 17. Documentation Necessary to Receive Authorization

In order to receive an authorization to create a bank it shall be necessary to submit the following documents:

- application concerning the issuance of an authorization;
- feasibility study;
- business plan, including detailed information about their forecasts for the next 2-3 years;
- information concerning the professional suitability of the executives (chairman and chief bookkeeper) of the bank proposed by the founders;
- constitutive documents (constitutive contract, charter of bank, protocol of adoption of charter of bank, and appointment of executive organs of bank);
- auditor's opinion concerning the financial stability of the founders;
- document confirming the contribution of assets to the account of the charter fund.

Article 18. Additional Documentation for Creation of Joint Banks, Foreign Banks, and Opening of Their Subsidiary Banks

In order to receive an authorization for the creation of a joint or foreign bank, and also subsidiary banks thereof, in addition to the documents specified in Article 17 of the present Law, the following documents, legalized in the established procedure, must be submitted:

for founders (or participants) who are juridical persons:

- (a) the charter or other document confirming their legal status and the published balance sheet for the two preceding years;

(b) the decision of the respective organ of the foreign founder (or participant) concerning participation in the joint bank, the creation on the territory of the Republic of a foreign bank, or the opening of subsidiary banks thereof;

(c) written notice of the control agency of the country of sojourn of the foreign founder (or participant) that it does not object to the participation of the foreign founder (or participant) in a joint bank on the territory of Kazakhstan, or a statement of an empowered agency or authoritative law firm that such authorization, according to the legislation of the country where the founder (or participant) is located, is not required; for founders (or participants) who are natural persons, in addition to the documents enumerated in Article 17 of the present Law, the confirmation of an authoritative foreign bank concerning the solvency of the particular person shall be sufficient. The minimum charter fund of joint and foreign banks shall be established by NatBank.

Article 19. Period for Consideration of Application

A petition concerning the issuance of an authorization to open a bank shall be considered by NatBank within a period not exceeding 3 months from the moment of receipt of the application and all documents provided for by the present Law for the issuance of an authorization.

Article 20. Grounds for Refusal to Issue Authorization to Open a Bank

The issuance of an authorization to open a bank may be refused on any of the following grounds:

- the failure of the constitutive contract and charter to conform to prevailing legislation;
- the instability of the financial position of the founders (or participants) threatening the interests of the depositors and creditors of the bank;
- the existence of facts concerning unlawful actions in earlier activity of the founders or members of the board and executives of the bank;
- the professional unsuitability of the executives;
- the failure to pay up the minimum amount of the declared charter fund at the moment of registration, the amount of which shall be determined by NatBank in the procedure established by law;
- the impossibility of the effectuation by the bank of active operations from own resources during the first two years;
- the absence of a production premise for siting the bank or of technical conditions for keeping valuables and performing banking operations.

Article 21. Registration Of Banks

From the moment of registration of a bank in the registration book of banks of the Republic Kazakhstan, it shall receive the status of a juridical person.

In the event of the termination of activity of a bank or branch thereof or liquidation of a subsidiary bank, a respective entry shall be made in the registration book.

Article 22. Grounds for Revocation or Authorization to Open a Bank

An authorization to open a bank may be revoked on the following grounds:

- the failure of the constitutive contract and charter to conform to prevailing legislation;
- the professional unsuitability of executives of the bank;
- the discovery of unreliable information on the basis of which the authorization was issued;
- the delay of the commencement of activity of more than six months from the date of issuance of the authorization;
- the systematic failure to comply with the economic normative standards established in accordance with Article 30 of the present Law;
- the effectuation of operations which exceed the limits of the legal capacity provided for by the present Law, and also by the charter of the bank (ultra virus activity). Revenues received from the said operations shall be seized for the budget;
- the systematic violation of prevailing legislation of the Republic Kazakhstan and normative acts established by NatBank;
- the systematic distortion of submitted information and reports established by law;
- the liquidation of the head bank or revocation of the authorization to open a subsidiary bank;
- the bankruptcy of the bank;
- the impossibility of the effectuation by the bank of operational operations from own resources during the first two years;
- the failure to pay up the minimum amount of the declared charter fund at the moment of registration;
- the instability of the financial position of the founders or participants which threatens the interests of the depositors.

The revocation of an authorization to open the bank shall operate also a decision concerning the liquidation of the bank.

Article 23. Procedure for Revocation or Authorization to open a Bank

In the event a decision is rendered to revoke the authorization to open a bank, NatBank shall inform the bank about the decision adopted.

From the moment of receipt of the decision to revoke the authorization to open a bank, the operative management of the bank shall pass to an administrator appointed by NatBank until the appointment of the liquidation commission.

The liquidation of the bank shall be effectuated in accordance with prevailing legislation.

The Board of the bank shall, in the event it disagrees with the decision of NatBank to revoke the license, have the right within a ten-day period to file an appeal in an arbitrazh court.

Article 24. Duty of Banks to Notify National Bank of Republic Kazakhstan About Changes in Constitutive Documents

Banks shall be obliged within a two-week period to inform NatBank about changes made in constitutive documents, including changes in the leadership of the board of the bank.

In the event of the discovery in the changes of the constitutive documents of grounds for revocation of an issued authorization to open the bank provided for by Article 22 of the present Law, NatBank may revoke the authorization issued.

Article 25. Termination of Activity of a Bank

A bank shall terminate its activity by decision of the founders of the bank in accordance with the provisions of Articles 22 and 23 of the present Law, and also in the instances established by prevailing legislation of the Republic Kazakhstan.

Section V. Mutual Relations of Banks with National Bank of Kazakhstan, Records and Reports in Banks

Article 26. Principles of Mutual Relations of Banks with National Bank of Republic Kazakhstan

NatBank shall by its activity facilitate the normal functioning of the entire banking system in the interests of the development and strengthening of the monetary-credit system of the Republic, provide banks in a timely way with normative documents regarding questions of banking activity, participate in the training of personnel for the banking system, render methods assistance in the work of banks.

NatBank shall not have the right to interfere in the operational activity of banks except for the instances provided for by law.

Its regulatory and control functions shall be limited by the Law of the Republic Kazakhstan "On the National Bank of the Republic Kazakhstan".

Article 27. Economic Normative Standards Established by National Bank of Republic Kazakhstan for Banks

For the purposes of ensuring the financial stability of banks, defending the interests of their creditors and clients, and also in order to strengthen monetary turnover, NatBank shall establish economic normative standards obligatory for fulfillment by banks and their branches who have an autonomous daily balance sheet.

These normative standards shall include:

- the minimum amount of the initial charter fund;
- the maximum correlation between the amount of own assets of the bank and the amount of its obligations (assets and liabilities);
- the indicator of the liquidity of balance sheets;
- the amount of obligatory reserves placed in NatBank;
- the maximum amount of risk per borrower;
- the maximum amount of risk for the founders or stockholders of the bank, and also of juridical persons in whose charter capital the bank participates;
- the minimum amount of the reserve fund;
- limitations on the amounts of attracting credits from abroad;
- the maximum amount of credits received from centralized sources of NatBank.

The economic normative standards established by NatBank also shall apply to subsidiary banks and banking associations.

If it is impossible to suspend inflationary processes by methods of monetary-credit regulation, NatBank shall have the right to introduce limitations with regard to credit investments and changes of interest rates with regard to operations of banks.

Article 28. Control Functions of National Bank of Republic Kazakhstan Relating to Activity of Banks

NatBank shall effectuate control over compliance by banks with the obligatory normative standards established in accordance with the present Law and the correct application of normative acts issued by it in accordance with the powers determined by the Law "On the National Bank of the Republic Kazakhstan".

Banks shall be obliged to submit to NatBank balance sheets, reports, and other documents connected with banking activity. In so doing the information received shall not be subject to divulgence.

NatBank shall have the right at any time by traveling on site to verify in the bank a necessary question in accordance with its powers. The Committee of State Financial Control attached to the Cabinet of Ministers of the Republic Kazakhstan shall be involved in the verification of banks by agreement.

Article 29. Powers of National Bank of Republic Kazakhstan In Event of Violation by Banks of Established Normative Standards

In the event of the discovery of violations by banks of the economic normative standards established by Article 27 of the present Law, NatBank shall prescribe the periods and other conditions for elimination of the violations.

In the event of the systematic violation of economic normative standards and normative acts of NatBank, the failure to execute its prescriptions with respect to the periods and conditions for bringing banking operations into conformity with normative standards, the failure to submit or the submission of unreliable reports, reckoning the results of the year with losses, or the arising of a situation which threatens the interests of depositors and creditors of the bank, NatBank may:

- put the question to the founders (or participants) of the bank about implementing measures relating to the financial recovery of the bank (sanation of the bank), a change of leadership of the bank, reorganization, or liquidation of the bank;

- apply sanctions in the form of:

- (a) levying a monetary fine established by legislation;

- (b) writing off the indebtedness of a debtor-bank from the reserve fund placed in NatBank;

- (c) changing individual normative standards provided for by Article 27 of the present Law;

- (d) assuming temporary management of the bank in the event provided for by Article 34 of the Law of the Republic Kazakhstan "On the National Bank of the Republic Kazakhstan":

- (e) revocation of the license to perform certain types of banking operations;

- (f) seizure for the budget of revenues received as result of unlawful actions of the bank;

- (g) giving instructions binding for execution.

Article 30. Records and Reports in Banks

The rules for bookkeeping records in banks and the character and amount of report and other materials shall be established by NatBank.

Banks shall ensure the keeping of documents for a term less than five years. Banks shall publish an annual balance sheet and a profit and losses account according to the forms and within the period established by NatBank after confirmation by an auditor organization of the reliability of information submitted therein.

Section VI. Relations between Banks and Their Clients

Article 31. Principles of Relations between Banks and Their Clients

Banks shall act as equal partners and effectuate their operations on the market of free credit resources.

Banks shall compete with one another in their activity, submitting to their clients the best conditions for placing assets, receiving credits, and a wider range of banking services.

Banks shall bear responsibility to their clients in accordance with Article 34 of the present Law.

Article 32. Inter-Bank Deposit, Credit, and Other Operations

Banks may on contractual principles attract and place assets with one another in the form of deposits and credits and perform other mutual operations provided for by their charters.

Banks shall bear responsibility in accordance with the contract concluded for the failure to fulfill mutual obligations.

Banks may apply to NatBank and to other banks on contractual conditions in the event of a shortage of credit assets for loaning to clients and fulfilling obligations assumed or maintaining the liquidity of their balance sheets.

The granting of credit resources to banks may be effectuated only in the absence of overdue indebtedness with regard to centralized credit resources.

Article 33. Interest Rates with regard to Credits Or Banks

Interest rates and the amount of the commission fee relating to operations of banks shall be established by them autonomously.

When loans are granted from credit resources of NatBank the; recovery of commission fees shall not be permitted.

Article 34. Procedure for Settlement of Accounts

Banks of the Republic shall effectuate the settlement of accounts in the procedure established by legislation. The procedure for the settlement of accounts must provide a guarantee that the documents pass within the established periods.

The material responsibility of banks in the event of the improper performance of banking operations shall be stipulated by the contract between the bank and the client.

In the event of the improper performance of banking operations the banks or clients shall bear responsibility in accordance with the Statute on Economic Sanctions for a Violation of the Procedure for Conducting Noncash Settlement of Accounts in the Republic Kazakhstan, confirmed by the Supreme Soviet of the Republic Kazakhstan.

Article 35. Ensuring the Repayment of Credits

Banks shall accept as security, for the timely repayment of ~ credit, a pledge, guarantee, surety ship, and obligations in other forms accepted in banking practice.

Banks may adopt decisions to grant a credit without security (bank credit) on condition of the high creditworthiness and reliability of the client.

With respect to clients who do not fulfill their obligations with regard to the timely repayment of credits and other payments, the bank shall have the right to apply the following measures:

- recover the loan before time;
- direct for repayment of existing indebtedness any assets available in the accounts of these clients;
- realize the pledged property in accordance with prevailing legislation.

Article 36. Declaration of Borrower to be Insolvent

Borrowers who do not fulfill their obligations with regard to the timely repayment of credits received may be declared to be insolvent in accordance with prevailing legislation of the Republic Kazakhstan.

Article 37. Period Or Limitations Relating to Claims of Banks

Claims of banks of the Republic Kazakhstan against their clients with regard to credits granted to them and interest shall have no periods of limitation.

Article 38. Banking Secrecy

Banks in the Republic Kazakhstan shall guarantee secrecy with regard to operations, accounts, and deposits of their clients and correspondents.

All employees of the bank shall be obliged to keep secrecy with regard to operations, accounts, and deposits of the bank of its clients and correspondents.

Information with regard to operations and accounts of juridical persons shall be issued to courts arbitrazh courts, agencies of inquiry and investigation, procurators, and auditing organizations, and also tax agencies with regard to questions of taxation.

Information with regard to accounts and deposits of natural persons shall be issued, in addition to the clients themselves and their legal representatives, to courts and investigative agencies with regard to cases under proceedings therein in instances when arrest may be imposed, execution levied, or confiscation of property applied to monetary assets and other valuables of clients in accounts and deposits, and also with regard to queries of tax agencies exclusively for official purposes with regard to persons being verified.

Information relating to accounts and deposits in the event of the death of their possessors shall be issued to persons specified by the possessor of the account and deposit in the testamentary disposition made to the bank or the notarial office in which inheritance cases are under proceedings concerning the deposits of deceased depositors, and also to foreign consular institutions.

Article 39. Imposition of Arrest and Levying Execution Against Monetary Assets and Other Valuables in Banks

Arrest may be imposed on monetary assets and other valuables of juridical persons in banks not otherwise than by decisions (decision, decree, ruling) of courts or arbitrazh courts or decrees of investigative agencies and agencies of inquiry, and execution may be levied only according to writs of execution issued by courts, orders issued by arbitrazh agencies, and other documents of execution, and also by regulations of tax agencies.

Arrest may be imposed on monetary assets and other valuables of natural persons in banks in accordance with decisions (decision, decree, ruling) of courts or arbitrazh courts or decrees of investigative agencies and agencies of inquiry, and execution may be levied only on the basis of a judgment or decision of a court.

The suspension of operations of juridical and natural persons with regard to settlement and other accounts in banks shall be effectuated by tax agencies in the instances provided for by prevailing legislation.

Monetary assets and other valuables of citizens may be confiscated on the basis of a judgment which has entered into legal force or a decree on the confiscation of property rendered in accordance with law.

Article 40. System of Collective Insurance Or Bank Deposits

For the purposes of defending the interests of creditors (or depositors) banks may effectuate collective insurance of bank deposits.

All banks who have received a license and operate in accordance with the present Law may participate in the system of collective insurance of bank deposits.

The system of insuring deposits must guarantee compensation of losses to the possessors of these account up to a fixed amount in the event of the bankruptcy or insolvency of the bank.

Article 41. Pledge of Property of Bank

Banks attracting credit resources may pledge property of the bank only by authorization of NatBank.

Article 42. Procedure for Settlement of Disputes

All disputes arising between NatBank, banks, and their founders (or participants), juridical, and natural persons in execution of the present Law shall be settled in a judicial proceeding in accordance with legislation Or the Republic Kazakhstan and international treaties.