

**Report by Ye. Ashykbekov,
Director of the NBRK
Payment Systems Department
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of the National Digital Financial
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to regulation of digital assets.
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The National Bank, together with the Agency for Regulation and Development of the Financial Market, has developed a set of legislative amendments designed to introduce **systemic regulation** of digital asset circulation.

These measures are designed to create a full-fledged digital asset ecosystem in Kazakhstan with a comprehensive legal framework and balanced regulation of cryptoasset circulation, with a purpose to develop new digital investment instruments and protect consumer rights.

The developed measures provide for:

1. Introduction of **digital financial assets** (DFAs) into circulation.

DFAs are digital assets **backed** by money and financial instruments. Unlike crypto currencies, which are unsecured digital assets, DFAs have an issuer, legally obligated parties, and a confirmed collateral base.

A legal framework has been developed and a classification of digital financial assets has been defined – three types:

- stablecoins backed by money;
- DFAs that certify rights to financial instruments and financial assets, except for money;
- and digital analogues of traditional financial instruments (bonds, shares, bills).

Composition of market participants and regulatory conditions for their activities, including licensing, have been defined.

Insurer admission system has been developed, as well as a DFA circulation procedure, including requirements for digital platforms and their providers.

To expedite the market launch, it is also planned to **employ the existing institutions** of the financial infrastructure – such as the Central Depository and the Kazakhstan Stock Exchange – as infrastructure organizations for organization of the issue, accounting and servicing of DFAs.

Unique feature of digital financial assets is the possibility of tokenizing the financial instruments. This creates the conditions for:

- improvement in capital market efficiency through emergence of previously inaccessible digital financial instruments;
- simplified access and expansion of financing channels for businesses;
- reducing the transaction costs;
- expansion of the circle of investors and users.

DFAs **will be integrated** into the existing financial system as a new class of instruments, serving as a bridge between the traditional capital market and digital technologies.

2. Regulation of circulation of unsecured digital assets (crypto currencies) is introduced through licensing of service providers.

Key legislative measures include:

1) establishment of the legal status of crypto-exchange platform operators and licensing their activities;

2) establishment of qualification requirements, requirements for operating procedures, presence of a risk management and internal control system, interaction with users to protect assets and data, as well as mechanisms to ensure operational transparency;

3) overseeing the activities of crypto-exchange platform operators.

Thus, **a new category of participants is being introduced** within the general jurisdiction of Kazakhstan: providers of crypto currency exchange services that operate under a license and **under the supervision of the National Bank**. Their functionality will include operations involving the exchange of crypto currencies for fiat money.

List of crypto currencies available for purchase or sale by such organizations will be established by the National Bank.

Meanwhile, activities of such crypto currency providers, represented by crypto exchanges within the AIFC jurisdiction, are regulated separately and are not affected by these measures. However, functional interaction between crypto currency exchange providers and AIFC crypto exchanges is envisaged to ensure a comprehensive digital market infrastructure.

These measures pursue expansion of the regulated circulation of unsecured digital assets, reduction of systemic risks, and ensuring the consumer protection.

Creation of a **regulated environment** will ensure safe investment, participant confidence, and operational transparency.

Joint competence of financial regulators will be established within regulation of digital asset circulation:

The National Bank will be responsible for regulation and licensing of:

- 1) activities of crypto exchangers involved in crypto currency exchange, as well as their monitoring and supervision;
- 2) activities of DFA platform operators, based on which Digital Financial Assets are issued and circulated;
- 3) arrangement of monitoring of issue and circulation of stablecoins that certify rights to money.

Shared competence of the Financial Regulation Agency and the National Bank includes regulation of issue and circulation of digital financial assets, including defining the requirements for issuers and investors of digital financial assets, as well as quality of the underlying asset that serves as a collateral for FDA issue.

Concurrently, the National Bank initiated **creation of a regulatory sandbox** for digital assets. This will allow for testing of innovative technologies, business models, and tokenization tools in a controlled environment prior to their full market introduction and development of a regulatory regime.

Development of approaches to digital asset regulation in Kazakhstan was guided by recommendations from key international organizations: FATF, IOSCO, IMF and BIS, as well as by best global practices, such as the EU's MiCA regulation and experience of countries with developed digital infrastructures, such as the UAE, Singapore, Hong Kong, Switzerland and others.

Risks inherent in the crypto currency market were systematically analyzed and addressed. The developed measures are designed to comprehensively manage these risks to ensure sustainable and balanced development of the digital financial ecosystem.

The adopted model combines support for technological innovation with consumer protection and stability of the financial system as a whole.