

**Dear Kassym-Jomart Kemelevich!**

In connection with the unprecedented tragic events that took place in the history of independent Kazakhstan, the National Bank, together with the Agency for Regulation and Development of the Financial Market and other concerned agencies, has implemented the following measures based on your instruction to ensure **financial** and **price** stability in the country.

1. As part of your **urgent instructions** on conditions of the state of emergency, the financial system was **quickly** brought to **normal operation**; starting from January 7, 2022, key banking and other financial services for the population were gradually **restored**.

Starting from January 10, 2022, **operations in the money and stock markets were resumed**. The National Bank, in addition to standard instruments, **conducted operations to provide liquidity** through repo and swap operations on the Kazakhstan Stock Exchange. After the situation stabilized, on **January 18** of this use of special instruments to provide liquidity was **discontinued**.

The National Bank ensured **uninterrupted reinforcement** of the market with **foreign and national currency**, all requests of second-tier banks were satisfied in full volume.

On January 12, 2022, comprehensive trading has been resumed on the **foreign exchange platform** of the Kazakhstan Stock Exchange and **international payments and transfers** has been secured. Today, the financial system and financial market infrastructure are operating **as usual** and provide **a full range of services**.

In line with **your instruction**, the National Bank pays special attention to ensuring **stability in the domestic foreign exchange market**. Taking into account an accumulated demand formed due to lack of trading and a limited supply of foreign currency in conditions of the state of emergency, the National Bank carried out foreign **exchange interventions** for an amount of **USD 240 million during the first 2 days** after foreign exchange trading were resumed. This ensured **avoidance of risks** to financial stability and speculative pressure on tenge.

The National Bank of Kazakhstan **will ensure balance of the foreign exchange market** until **confidence** in the tenge **is restored in full**, both on the part of internal and external market participants. Along with that, the National Bank **remains committed** to the policy of free exchange rate formation, determined on the basis of market demand and supply in line with 2030 Monetary Policy Strategy.

**2. Stability of the financial system is determined, first of all, by stability of the banking sector.**

Starting from 2020, the ARDFM, together with the National Bank, has carried out work to **improve** the financial sector, assess

quality of assets (AQR) and corrective measures to improve **business processes** and **risk management**.

Today, **stability buffer** formed thanks to timely joint measures enables uninterrupted **operating activities** of second-tier banks to **serve households and businesses**, ensuring **safety of customer funds**.

Total assets of the banking sector in 2021 surged by **6.5 trillion KZT** and totaled **37.6 trillion KZT**. Equity capital of banks in late 2021 was **4.5 trillion KZT**. Tier-1 equity capital adequacy ratio in STB is **19.3%**, which is **3 times** higher than minimum regulatory requirements (*minimum regulatory level for C1-2 is 6.5%*).

Liquid assets soared by **1.5 trillion KZT** and amounted to **16.2 trillion KZT** accounting for **43%** of total assets of the banking sector. Volume of liquidity exceeds the required level by **4 times**.

**Key priority** of the National Bank to ensure financial stability is **safety of depositors' funds**.

Despite high uncertainty, there **was no outflow** of deposits from the banking sector during these difficult days. As an example, since the beginning of this year, retail deposits rose by **32 billion KZT** to **13.5 trillion KZT**.

I would like to confirm that the state ensures **safety** of retail deposits subject to the existing laws. In order to **increase confidence of depositors**, as an extra measure to ensure safety of their deposits, amount of guarantee on saving deposits has been **increased from 15 to 20 million KZT**. This rule took effect on

January, 11 2022, in accordance with the Law signed by you in December 2021.

Kazakhstan Deposit Insurance Fund is **ready to discharge all the undertaken obligations**. For these purposes, a special reserve has been formed, which currently makes almost **850 billion tenge**.

The National Bank and the Agency for Regulation and Development of Financial Market, within promotion of **financial stability**, are ready to ensure continuity of operating activities of second-tier banks, **control safety** of their assets and capital **adequacy**. If necessary, the National Bank **will support liquidity** of the banking sector on market terms.

**3.** Within efforts to suppress money laundering and terrorism financing, Kazakhstan continues to actively get ready for upcoming mutual assessment of technical compliance of laws and national AML/CFT system with **international standards** and **FATF** requirements in **2022**.

With this end in view, **financial monitoring** measures for suspicious **cross-border** transactions have been enhanced. On January 10, 2022, the National Bank, FMA and ARDFM adopted a joint order, which approved a list of cross-border transactions subject to enhanced financial monitoring, and established an **algorithm** for actions with respect to requests for Clarification of provisions of the joint order for second-tier banks was promptly carried out with AFK participation.

Taking into account the best global practice, second-tier banks have intensified their work on a detailed study of **high-risk transactions** within **KYC** (know your client) principles. We think it is necessary to develop and adopt by the end of the current parliamentary session a set of legislative amendments designed to further enhance financial monitoring measures and full implementation of **KYC** principles in financial system in line with OECD standards.

In compliance with your instruction, **bona fide participants** in foreign economic activity, including residents and non-residents, will **not** have their **rights infringed** and will **not** be **limited** in conducting international transactions.

**Dear Kassym-Jomart Kemelevich!**

**Stabilization** of inflation in **2022** and in medium term is a **key priority** in operations of the National Bank. A low and predictable inflation level is a guarantee to maintain investment attractiveness, improve welfare of the population and sustainable development of the national economy.

In 2022, taking into account current and new challenges, a **Complex of Measures** to control inflation will be developed jointly with the Government, providing for coordination of our actions based on **positive experience** of last year.

All of the above-mentioned measures, together with continuation of the disinflationary monetary policy of the National

Bank, will be designed to ensure **financial stability** and achieve inflation **target** of **3-4%** in **2025**.

**Thank you for attention!**