



**NATIONAL BANK OF THE
REPUBLIC OF KAZAKHSTAN
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**About of the draft law of the Republic of Kazakhstan
“On Amendments and Addendums to the Laws of the Republic of
Kazakhstan Related to the Currency Regulation and Currency Control”**

The Government of the Republic of Kazakhstan by its Resolution № 849 dated by September 12, 2008 submitted to the Majilis of Parliament of the Republic of Kazakhstan the draft Law of the Republic of Kazakhstan “On Amendments and Addendums to the Laws of the Republic of Kazakhstan related to the Currency Regulation and Currency Control” (hereinafter – draft Law). The draft Law has been approved by the Majilis of Parliament of Republic of Kazakhstan and submitted for consideration to the Senate of Parliament of Republic of Kazakhstan on March 25, 2009.

Abovementioned draft Law has been developed with the objective to improve the currency regulation and currency control in the Republic of Kazakhstan and provides for the following:

- softening the currency regulation regimes and simplification of administrative procedures related to them;
- simplification of requirements on repatriation of the currency proceeds and clarification of the responsibility for non-compliance with the requirements on repatriation;
- improving the ability to respond to external shocks by currency regulation measures which might be applied in case of threats to the national security and stability of the financial system as well as elaboration on cases when such measures might be implemented.

Besides, the draft Law introduces editorial and qualifying amendments.

1. In order to soften the requirements of the currency regulation and to simplify the procedures for currency control, the draft Law provides for the following:

1) removal of licensing requirements in respect of retail trade and services to be provided for cash in foreign currency;

2) removal of the requirements to the individuals – residents of the Republic of Kazakhstan on notification of the National Bank of Kazakhstan when they open accounts with foreign banks;

3) provision for increase of the minimum thresholds by amendments to the legal normative acts (i.e. Resolutions of the National Bank of Kazakhstan) for deals subject to registration or notification or issuing of the transaction passport as well as for removal of the certain types of capital movement operations subject to registration or notification. This means, that the National Bank of Kazakhstan will be entitled to implement further measures on liberalization of the currency regime in accordance with the development and dynamics of the external economic activities. For example, after this draft Law is enacted, it is envisaged that the threshold for export and import trade deals subject to issuing of the transaction passport will be increased from equivalent of USD 10,000 to equivalent of USD 50,000.

4) introducing new notification form which will require the submission of the periodical reports with consolidated information on currency transactions subject to notification for the respective period, instead of notification of each transaction separately. Such notification form will be applicable, first of all, to banks and other financial intermediaries which shall notify the National Bank about transactions of their clients. With full implementation of the electronic financial reporting system by all the financial institutions, introducing of such form of the notification will substantially simplify procedures and cut down the expenses for compliance to the requirements on notifications.

2. In order to clarify existing currency repatriation requirements and norms providing for responsibilities for non-compliance with the repatriation requirements, the Draft Law envisages the following:

1) clarification of the repatriation requirements in order to provide unambiguous interpretation – full amounts of the proceeds from exports shall be entered into the accounts with Kazakhstan's banks regardless the currency of such proceeds;

2) clarification for the terms of repatriation including the right of the resident which is the party of the external trade contract to define the repatriation period on its own discreet based on the terms and conditions of the contract;

3) complete list of events when the repatriation requirements are deemed to be met without export proceeds are entered into accounts with Kazakhstan's banks;

4) clarification of administrative and criminal charges for non-repatriation of the export proceeds.

3. In order to improve the ability to respond to external shocks the Draft Law provides for the following.

1) Introducing the definition of the Special Currency Regime. Transition from Special Permission Regime specified by the current legislation, to the Special Currency Regime will allow currency transactions to be conducted without individual special permissions, however subject to such transactions meeting certain requirements. This will substantially simplify the compliance procedures to Special Currency Regime.

2) Specific list of measures which might be implemented within Special Currency Regime. It is introduced in order to remove uncertainties for market participants in respect of measures to be implemented by the state regulators in crisis situation.

List of such anti-crisis measures shall include:

- requirement for allocation of non-interest deposit with authorized bank or with the National Bank of Kazakhstan in the amount to be defined as a share of the amount of the currency transaction;

- requirement of obtaining the special permission of the National Bank of Kazakhstan for currency transactions;

- requirement of compulsory selling in the local market of the proceeds in foreign currency received by residents.

- imposing restrictions on the residents to use accounts with foreign banks, requirements on repatriation within limited period of time, establishing the limits for amounts, number and currency of currency transactions.

It shall be noted, that this does not mean that all the above measures will be introduced in case of Special Currency Regime. It is envisaged, that selected measures will be implemented depending on nature of risks for destabilization of the situation in currency market.

3) Limitation of the period (maximum – 1 year), for which the Special Currency Regime might be introduced. This is envisaged with the purpose to eliminate uncertainties regarding the duration of temporary currency restrictions. In the current legislation duration of such period is not specified, and defined as “period, which is necessary for elimination of threats for economic security and stability of financial system”.

4) Defining the administrative responsibility for violation of the requirements of the Special Currency Regime.

The right of the President of Republic of Kazakhstan to implement of temporary currency restrictions in response to external shocks is already provided by the Law of the Republic of Kazakhstan № 57-III, June 13, 2005, «On Currency Regulation and Currency Control». Hereby, the abovementioned amendments only establish more stringent frameworks for the state regulators concerning application of exchange restrictions as anti- crisis measures; more clearly specifies such measures of the Special Currency Regime as extraordinary and emergent, and obligation to return to liberal currency regime within one year.

Text of the draft is available on the National Bank site.