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| **OVERSIGHT OF PAYMENT SYSTEMS** **OF KAZAKHSTAN****Prepared by Payment System Department** **of the National Bank of Kazakhstan****Almaty, June, 2011** |

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# INTRODUCTION

Safe and secure payment systems enhance the stability of the financial system as a whole, provide efficient use of financial resources and ensure timely settlement between buyers and sellers. Improvement of the payment system and the right choice its further development are among top priorities of the National Bank of Kazakhstan.

Therefore the Law of the Republic of Kazakhstan «About the National Bank of Kazakhstan» attributes the operation of payment systems to one of the main objectives of the National Bank of Kazakhstan.

Work on the implementation of payment systems, ensuring timely payments between businesses and characterized by minimal risk in payments and money transfers, was commenced by the National Bank since independence in 1991, and as a result of this work for over ten years two national payment systems successfully operate and develop on the territory of Kazakhstan: Interbank System of Money Transfer (ISMT) and Interbank Clearing System. At the same time experts of the international financial institutions (International Monetary Fund, World Bank) have repeatedly noted the high efficiency and reliability of payment systems of Kazakhstan, ensuring timely settlement of payments and money transfers. Experts of the International Monetary Fund assess that the payment systems of Kazakhstan fully comply with all 10 key principles established by the Bank for International Settlements for systemically important payment systems (international standards in the field of payment systems).

In order to maintain and improve the payment systems of Kazakhstan, the National Bank approves regulations on certain issues of payments and money transfers. At the same time activities aimed at improving the performance of payment systems, introduction of new payment instruments, as well as the work to ensure sufficient legal basis for the use of innovative payment instruments is carried out on a regular basis.

One of the main functions of the National Bank in the field of payments and money transfers is oversight of payment systems that allows to estimate the operational level of payment systems in the country, as well as to analyze the effectiveness of certain markets payment facilities.

«Oversight of payment systems of Kazakhstan» collection is dedicated to the 20th anniversary of independence of the country and reflects the results of development of national payment systems and other payment facilities over the past ten years.

This collection reflects the major steps in reforming the payment systems, analyses the functions of the National Bank of oversight of payment systems, presents statistical data on operation of national payment systems, analysis of operation of the system of correspondent relations between banks in Kazakhstan and the use of payment instruments in the country. As well the information on the development of payment cards markets and systems for international money transfers is provided therein.

# OVERVIEW OF DEVELOPMENT OF PAYMENT SYSTEMS IN KAZAKHSTAN

Proclamation of sovereignty by Kazakhstan and transition to a market economy resulted in the need of structural reform of the economy, including the financial system. Major importance then was construction of a fundamentally new payment system with distinguished reliability and efficiency. The main objectives of the payment system reforms of the Republic of Kazakhstan were the acceleration of payments settlements between banks and their customers (at the beginning of the 90s completion of one payment took 3-12 days), as well as a wide introduction to circulation of various payment instruments (orders, checks, payment requests). In construction of a modern payment system, the National Bank of Kazakhstan studied the experience of the European Union, Eastern Europe, Baltic and CIS countries.

The first step in reforming the payment system was transition in 1991 of interbranch turnovers accounts (IBT) of commercial banks to correspondent accounts opened in branches of the National Bank of Kazakhstan, which allowed to close IBTs, to adjust the organization of interbank settlements and to enforce cash servicing of commercial banks (Kredsotsbank, Promstroybank, Agroprombank, Savings Bank).

With the collapse of the Soviet Union and the acquisition by post-Soviet countries of state independence in 1992, correspondent accounts to implement trade and business settlements were opened for national/central banks of CIS countries. Transactions on these accounts commenced from July 1, 1992.

In 1992, in order to ensure interbank settlements the National Bank established cash-and-settlement centers in all districts, cities, municipalities of regional centers and in the city of Alma-Ata. By mid-1992 19 regional and 274 district cash-and-settlement centers of the National Bank operated in Kazakhstan.

In the course of 1993, the National Bank carried out offset of mutual debts between business entities both domestically and abroad. In the same year implementation of electronic payments in settlements between regions of Kazakhstan was started due to availability of hardware in order to prevent the use of fraud advices and accelerate payments.

In 1994, the public treasury obligations were first time issued by the Ministry of Finance of Kazakhstan. The Central government securities depository was established in the same year.

An important step was establishment in 1995, the first in Kazakhstan of Almaty clearing house (ACH), which operated under multilateral netting method. The disadvantage of this system was that the participating banks at the end of the day had to exchange payment orders on paper. In 1995 the National Bank with the countries of the ruble zone carried out reconciliations and settlements of balances on correspondent accounts of national banks, as well as conducted preparation of relevant international agreements.

In 1996, the National Bank undertook a number of measures for the development of payment systems:

* Establishment of regional clearing houses under the regional branches of the National Bank, which carried out the interbank clearing of intra-regional payments;
* Regulatory adoption of the «electronic payment order» concept, development and implementation of SWIFT-like formats of electronic messages for exchange of information between the participants of the payment system;
* Reorganization of the Almaty clearing house into RSE «Kazakhstan Interbank Settlement Centre of the National Bank of Kazakhstan» (KISC), which by now is an operator of payment systems.

The key point contributing to acceleration of the processing of interbank payments was the establishment in August 1996 of the system of large-value payments on the basis of KISC, performing settlements on a gross basis and having characteristics of a prospective real time gross settlement system (RTGS - real time gross settlement system). The experience of Switzerland, in particular, the experience of construction of SIC system (Swiss Interbank Clearing) was taken as the basis of Kazakhstan's large-value payments system. In the short term the large-value payment system has become very popular due to electronic data that does not require paper confirmation, speed and reliability of money transfers, as well as high levels of security.

An important event, contributing to improving the payment system, was the centralization of correspondent accounts of commercial banks in the head office of the National Bank, which was carried out between October and November 1998. Centralization of correspondent accounts allowed the National Bank to carry out efficiently the functions of the settlement bank and the banker's bank, improve the control functions over the payment system and banking system as a whole.

In order to create competition in the retail payments market and improve the quality of rendered services in the banking, the activity of clearing houses under regional branches of the National Bank was ceased in Kazakhstan from August 1, 1999. Herewith the decision was made to establish in Kazakhstan the clearing system similar to U.S. Automated Clearing House (the system of multilateral netting of counter obligations, operating without the prior deposit of funds and with the final settlement of net positions of participants in the gross system) - Interbank Clearing System, which operates successfully in the present .

In June 1998, the Law of the Republic of Kazakhstan «On payments and remittances» was adopted which is the basic document regulating payment and money transfers in the Republic of Kazakhstan, and the works on developing the regulatory framework of the National Bank in this area were commenced.

As a result of further improvement of the regulatory and technological base to meet the growing needs of the banking and financial sectors in the safe and efficient payment system with final settlements on the same day, the system of large-value payments in February 2000 was transformed into the Interbank System of Money Transfer (ISMT), functioning in real time and being a systemically important payment system in Kazakhstan.

For any country establishment of RTGS system is the highest priority in the financial sector. Availability of this system is characterized by stable functioning of the banking system of the country. Worldwide, there are common standards that establish appropriate requirements for the construction of such systems. Thus, implementation of ISMT was an important next step in development of the payment systems of Kazakhstan, which allowed improve mechanisms of monitoring of systems and risk management of liquidity of banks participating in the system.

In 2003 and 2005 the experts of the International Monetary Fund and World Bank, assessed the payment systems of Kazakhstan according to which the payment systems of Kazakhstan were admitted fully complying with international standards, including all the 10 key principles established by the Bank for International Settlements for systemically important payment systems. As well the Red Book on Payment Systems was published in November 2003, describing the main features of the payment systems of Kazakhstan. In April 2006, was published the Silver Book on payment, clearing and settlement systems in Kazakhstan.

In 2007, the works started on construction of a new Backup Center of the National Bank of Kazakhstan in Astana. «Backup Center of the National Bank of Kazakhstan «Q-BRO» was established under the Resolution of the Board of the National Bank of April 30, 2007 № 51, the main aim of which is construction of the Backup Center and its further commissioning.

In order to use the official language in payments and money transfers, the transition of payment systems of Kazakhstan to the use of the new code table with the Kazakh language symbols, based on standards ST RK 1048-2002, was conducted on December 1, 2008.

In 2009-2010, the National Bank to improve operational reliability and operational efficiency of payment systems of Kazakhstan carried out works on upgrading the technical infrastructure of national payment systems and their transition to a new software-hardware platform. Transition to new versions of payment systems (ISMT-2, Interbank Clearing System-2) was carried out on June 7, 2010, characterized by a high level of security and a significant increase in capacities. All components of the new payment systems are designed subject to requirements of economy and to maximize use of resources, ensure the required level of security and accessibility, and compatibility with standards applicable in the financial sector. Setting and putting into trial operation of the cluster software have been accomplished allowing operate the servers of the primary and backup centers of payment systems as a whole.

In 2009, in order to develop a coordinated policy in priority areas of development of payment systems and efficient collaboration in realization of projects of national importance, relating to the infrastructure of payment systems of Kazakhstan, an advisory body - the National Payments Council was established under the National Bank.

One of the major projects of the National Bank in recent years was the reform of client’s bank accounts, which was launched in 2005 and successfully completed in 2010. The Client’s bank account (a unique identification code of the client) is an obligatory detail of a payment document and contains the information necessary to identify the client. The structure of the client’s bank account was used prior to the reform and consisted of 9 symbols and included a number of the balance account, the conditional number of the bank or organization, and control key calculated based on the bank identification code. However, 9-symbol structure of the account did not fully reflect the needs of banks in the information contained in it. In this connection, the National Bank raised the question of the need to improve the structure and length of the client’s bank account and bank identification code that identifies the financial institution when making payments and money transfers.

In order to create favorable conditions for future integration processes as a basis for a new structure of client’s bank account and bank identification code were used international standards ISO 13616: IBAN (International Bank Account Number) and ISO 9362: BIC (Bank Identifier Codes), respectively. Application of bank details standards widely used in the financial community is aimed at improving the identification of banks and their customers in the payment systems of Kazakhstan, automation and acceleration of processing of domestic and international payments, compliance with the principle of STP (Straight through processing).

In order to successfully implement this reform an extensive work was carried out for five years, which included the following milestones:

* 2005-2006 – establishing of Working Group from representatives of the National Bank, the largest commercial banks, State Enterprise «State center on pension payment», the Ministry of Finance of the Republic of Kazakhstan in order to study the materials and decide on the specific structure of a new bank account number, assigned by banks to their customers;
* 2007-2008 - development, negotiation, approval and registration in the Ministry of Justice of the Republic of Kazakhstan the regulations governing the assignment of new bank account numbers of customers and bank identification codes, as well as the necessary preparatory work for the transition of clients to new bank accounts;
* 2008-2009 - coordination of activity on generation of new bank account numbers to clients by financial institutions, including the National Bank, conclusion of additional agreements with customers to notify them of the assigned bank account numbers, determination of exchange schemes with the State Enterprise «State center on pension payment» and pension funds of information on the new numbers of bank accounts of recipients of pensions, allowances and other benefits, development of technical specifications;
* 2009-2010 - participation in regular testing of financial institutions, KISC and the National Bank on the transition to new bank accounts, conduct the necessary coordination and explanatory work, preparation of regulatory documents.

As a result of conducted works on June 7, 2010 was exercised transition of the banking and payment systems of Kazakhstan to the new bank account numbers and bank identification codes.

In 2009-2010, the National Bank jointly with the concerned government authorities of the Republic of Kazakhstan (Ministry of Finance of the Republic of Kazakhstan, Ministry of Justice of the Republic of Kazakhstan, Ministry of Labour and Social security of the Republic of Kazakhstan) were involved in transition of national payment systems and information systems of second-tier banks to the use of identification numbers (IIN/BIN) within the enforcement of Law of the Republic of Kazakhstan «On the National registers of identification numbers» aimed to unify the system of the state identification of individuals and entities in the state information systems.

As part of this work in 2010 were adopted the following documents:

1. Resolution of the Board of the National Bank of the Republic of Kazakhstan on 29.11.2010 № 101 «On carrying out preparatory activities related to the transition to the use of identification numbers»;
2. Resolution of the Chairman of the National Bank of the Republic of Kazakhstan on 25.11.2010 № 96 «On Approval of the Action Plan of the National Bank of Kazakhstan for the transition to the use of identification numbers and appointment of a working group for the testing of payment systems of Kazakhstan»;
3. the testing plan of interaction of automated information subsystems of the National Bank of Kazakhstan, users of payment systems and software-and-hardware complex of payment systems of RSE «KISC of NBRK» for the transition to the use of identification numbers.

In early 2011 was carried out a number of tests to verify the readiness of payment systems of Kazakhstan, automated systems of the National Bank and users of payment systems for the transition to the use of personal identification numbers.

One of the priorities of the National Bank for the efficient functioning of payment systems is to create a new backup center in Astana, which guarantees continuous operation of the National Bank and payment systems in the event of contingencies and emergencies in the location of the main center. Creation of the Backup Center of the National Bank should raise the level of fault tolerance of information systems of the National Bank and KISC against other (human, social, political, business) risks - regardless of their geographic locations, by backup of data, duplication of software and hardware systems and telecommunication equipment of critically important information systems. Backup Center must provide execution of the following tasks: to backup the information of the maximum possible number of information systems, in the event of local emergencies to ensure the ability to connect users of the Head Office to separate critically important information systems restored in the backup center and in the event of total destruction of buildings in the Head Office in Almaty to ensure restoration of critically important information systems and workplaces in the Backup Center. In general, the Backup Center will improve safety and reliability of the National Bank not only in the event of a major earthquake, but in the case of any other force majeure in the location of the main center.

In 2010, the works on construction of a new Backup Center were continued, the applications of non-bank institutions to allocate additional spaces in the planned building of the Backup Center of the National Bank for storing their backup data were considered, a number of meetings were held to discuss issues, including with companies specializing in the design and construction of data-centers. The draft technical specifications for public procurement of consulting services for pre-design and design, construction and commissioning of the Backup Center was considered.

# OVERSIGHT OF PAYMENT SYSTEMS: INTERNATIONAL EXPERIENCE AND KAZAKHSTAN

The payment system is a mechanism for making payments and money transfers from one bank account to another, according to the laws, rules and standards established in this country. The effectiveness of the functioning of financial markets and the banking sector of the economy largely depends on the country's current payment system.

In this connection, ensuring the safe and efficient operation of payment systems is one of the main objectives of central banks. According to international terminology, oversight of the payment and settlement systems is the function of the central bank, which objectives of reliability and efficiency are achieved by monitoring existing and planned systems, assessing their compliance with these objectives and, if necessary, to initiate change.

In the implementation of payment systems oversight, specific attention is paid to the international standards developed by the Committee on Payment and Settlement Systems of the Bank for International Settlements, including the following basic principles:

* transparency (the central bank should publicly announce its oversight policy, including requirements and policy standards for the systems and criteria for determining the systems to which they apply);
* international standards (central banks should, when necessary, adopt international standards on payment and settlement systems);
* effective powers and capabilities (central banks should have the authority and capacity to effectively fulfill its oversight responsibilities);
* sequence (oversight standards must be applied consistently to comparable payment and settlement systems, including systems that are managed by the central bank itself);
* cooperation with other authorities (central banks, while ensuring the reliability and efficiency of payment and settlement systems must cooperate with other relevant central banks and official institutions).

It should be noted that the issue of the importance of payment systems oversight was raised in the 90s. Thus, the Report of the Committee on Interbank Netting schemes of the central banks of the Group of Ten (the Lamfalussy Report, the Bank for International Settlements, 1990) states that central banks oversight the development of their domestic interbank market and the payment and settlement systems to ensure the operation of these markets. Acting as the main providers of interbank settlements and lenders of last resort, central banks have a particular interest in the management policies of banks for credit and liquidity, as well as payment procedures, binding their credit risk and liquidity risk with the national banking system and estimate the ability of banks to withstand adverse changes without applying to emergency support from the central bank. This supervision over the national payment system serves for coordination of the various functions of the central bank and may also include the coordination of responsibilities of monetary and supervising authorities.

The powers of many central banks in the oversight of payment systems are defined by laws and include the development of the regulatory framework for payments and money transfers, monitoring, data collection and analysis of statistical data and evaluation of functioning of payment systems.

Thus, in accordance with the «Central Bank of Russian Federation» Federal Law one of the objectives of the Bank of Russia is to ensure efficient and smooth operation of payment systems. The Central Bank of the Russian Federation under the law establishes rules for settlements in the country, provides account servicing of budgets at all levels of budget system of the Russian Federation through settlements on behalf of the authorized bodies of executive power and state extra-budgetary funds, which are assigned to perform and execute the budgets. The Bank of Russia is the body coordinating, regulating and licensing the organization of the settlement, including clearing systems, in the Russian Federation, as well as sets the rules, forms, terms and standards of settlement activity.

In accordance with the Banking Code of the Republic of Belarus one of the main objectives of the National Bank of Belarus is the organization of an efficient, reliable and secure payment system. In pursuit of this objective the National Bank manages the operation of the payment system of the Republic of Belarus and oversight by setting rules for making payments, tariff policy, liquidity management, as well as through the collection, storage and analysis of indicators characterizing the status of the payment system of the Republic of Belarus.

According to the Monetary and Financial Code, the Bank of France ensures smooth operation and security of payment systems in the context of the objectives of the European System of Central Banks to ensure continuous operation of payment systems.

Memorandum of Understanding between the Ministry of Finance, the Bank of England and Financial Services (1997) envisages that the Bank of England is responsible for the overall stability of the financial system as a whole, including the infrastructure of the financial system and payment systems in particular. The Bank of England on an annual basis from January 2005 publishes a report on oversight of payment systems, which describes the Bank's activity in this area.

In the Republic of Kazakhstan supervision on behalf of the government over the functioning and development of payment systems is carried out by the National Bank of Kazakhstan. In accordance with Article 7 of the Law of the Republic of Kazakhstan «About the National Bank of Kazakhstan» one of the main objectives of the National Bank is to ensure the functioning of payment systems.

Within the frameworks of achieving of this objective the National Bank of Kazakhstan is assigned the specific functions (Article 8 of the Law of the Republic of Kazakhstan «About the National Bank of Kazakhstan»). The National Bank of Kazakhstan approves regulations on individual issues of payments and money transfers, defines the procedure for opening and maintaining correspondent accounts with banks and institutions performing certain types of banking operations, procedures for transfer operations, interbank clearing, issuing of payment cards, determines the order, the system and the form of payments and money transfers in the Republic of Kazakhstan, establish the order, form and terms of reporting and information on payments and money transfers.

The main law in the field of payments and money transfers is the Law adopted on 29.06.1998, № 237-I «On payments and remittances», which regulates relations arising in the implementation of payments and money transfers in the Republic of Kazakhstan, except for the relations connected with the money transfer by postal services organizations.

However, as noted above, the two national payment system (ISMT and Interbank Clearing System) currently operate in Kazakhstan. The functioning procedures of these payment systems are defined by the National Bank in the relevant laws and regulations.

In addition, the National Bank has developed certain rules, regulations, defining procedures, systems and forms of cashless payments for all banks and organizations engaged in certain types of banking operations in the Republic of Kazakhstan.

One of the main functions of the National Bank is an organization, as well as oversight of payment systems that ensure timely and smooth conduct of money transfers between banks, institutions performing certain types of banking transactions, in KZT, establishing requirements for the institutional arrangements and program and technical means providing access to payment systems to the banks and institutions performing certain types of banking transactions.

In order to oversight of payment systems the National Bank of Kazakhstan shall have the right (Article 48 of the Law of the Republic of Kazakhstan «About the National Bank of Kazakhstan»):

1. to establish procedures for oversight of payment systems;
2. to adopt regulations defining the conditions and procedure for organization and operation of payment systems;
3. monitor payment systems;
4. to inspect the organization and functioning of payment systems;
5. to obtain information on payments and money transfers, payment systems of the participants and operators of payment systems;
6. to effect inspections of participants of payment systems.

The order of oversight of payment system is conducted by Payment Systems Department of the National Bank, as well as objects of oversight is established by Rules of oversight of payment system, approved by the Board of Directors of the National Bank of the Republic of Kazakhstan on May 23, 2007 № 108.

The objects of oversight of payment systems are ISMT, Interbank Clearing System, system of interbanks correspondent relations, payment instruments, payment cards market and international money transfer system.

The purpose of oversight of payment system is to ensure the effective operation of payment systems of KISC and other objects of supervision.

The main tasks of oversight of payment systems:

* monitoring, analysis and evaluation of the functioning of payment systems in order to maintain their stability and security, development of proposals for further development of payment systems;

Monitoring of payment systems is the monitoring of ISMT and the Interbank Clearing System, carried out in order to manage, minimize, and predict the risks arising from effecting the payments and money transfers by users of payment systems. The National Bank of Kazakhstan installed software for the monitoring by using real-time view of payments effected by users of payment systems during the transaction day of the system, users liquidity analysis and risk assessment, arising from users during the transaction day. If the users have insufficient funds in the system for payments, the National Bank jointly with the users take steps to identify additional sources of funding and attracting of funds to users and thereby reducing the risk of payments default in the system.

Analysis and evaluation of the functioning of payment systems are conducted on the basis of information about the payment systems users and operators. In carrying out the analysis of the functioning of payment systems, the evaluation and analysis of the functioning of the ISMT and Interbank Clearing System, the payment flows under a uniform classification code of the payment purpose in payment systems, and so on is performed.

* management and minimization of risks arising in payment systems;

In order to ensure safe and efficient operation of payment systems the National Bank analyzes risks that arise in payment systems, uses the methods of managing and minimizing risk. In order to minimize the occurrence of credit, liquidity and systemic risks in payment systems, the Payment Systems Department of the National Bank calculates the turnover ratio and liquidity ratio of money in ISMT, conducts analysis on payment documents unexecuted due to lack of sufficient funds at the end of the transaction day. In order to manage and minimize technical, operational risks and the risk of fraud, the officials of the Payment Systems Department inspect the organization and functioning of payment systems, carry out analysis of recovery plan of payment systems for emergencies jointly with KISC, take part in KISC works for transition of payment systems to backup servers not rare than once every six months.

* analysis of the system of interbank correspondent relations between banks in order to ensure reliable settlement of payments through correspondent accounts in KZT opened between banks, and between banks and institutions performing certain types of banking activities (hereinafter - the correspondent accounts between banks);
* analysis of use of payment instruments in order to improve the usable and introduction of new methods of payments and transfers;
* analysis of the market development of payment cards in order to ensure convenient, safe and timely conduct by individuals and legal entities of the Republic of Kazakhstan of payments using payment cards, and development of new types of payment cards and services with their use;
* analysis of systems of international money transfers;
* maintain public confidence in oversight of payment systems and other objects of supervision the field of payments and money transfers.

In addition, in order to ensure the safety of the payments the Payment Systems Department of the National Bank inspects workplace safety (software installed) of banks and other participants for compliance with the instructions on the requirements for institutional arrangements and software-and-hardware providing access to banks and institutions performing certain types of banking operations to payment systems of KISC.

The National Bank also considers claims of individuals and entities with respect to violations of legal requirements by banks in the area of payments and money transfers, which are mainly associated with delayed/incorrect execution or non-execution of instructions for payments and money transfers, as well as the questions of issue and use of payment cards. Thus, in 2010, the Payment Systems Department of the National Bank of the Republic of Kazakhstan studied 106 applications (complaints) of individuals and entities. The following table provides information on the applications (complaints) of individuals and entities in the context of second-tier banks and organizations engaged in certain types of banking operations, and their share of total application in 2010.

*Table 1.*

|  |  |  |  |
| --- | --- | --- | --- |
| **№** | **The name of the financial organization in which relation applications (complaints) are presented** | **Number of applications (complaints)**  | **Share of total amount** |
| 1 | JSC «Halyk Savings Bank of Kazakhstan» | 29 | 27,4% |
| 2 | JSC «BTA Bank» | 12 | 11,3% |
| 3 | JSC «Bank CenterCredit» | 11 | 10,4% |
| 4 | JSC «Kazkommertsbank»  | 11 | 10,4% |
| 5 | JSC «Temirbank» | 8 | 7,5% |
| 6 | JSC «Kaspi Bank» | 6 | 5,7% |
| 7 | JSC «ATFBank» | 6 | 5,7% |
| 8 | JSC «KazPost» | 6 | 5,7% |
| 9 | JSC «Eurasian Bank» | 5 | 4,7% |
| 10 | JSC «BTA Bank», JSC «Nurbank», JSC «Bank CenterCredit» | 1 | 0,9% |
| 11 | JSC «Nurbank» | 1 | 0,9% |
| 12 | JSC «Alliance Bank» | 1 | 0,9% |
| 13 | JSC «Astana-Finance Bank» | 1 | 0,9% |
| 14 | JSC «Kazinvestbank» | 1 | 0,9% |
| 15 | JSC «Metrocombank» | 1 | 0,9% |
| 16 | JSC «Senym-Bank» | 1 | 0,9% |
| 17 | JSC «Central depositary trust company» | 1 | 0,9% |
| 18 | JSC «Tsesnabank» | 1 | 0,9% |
| 19 | State center on pension payment | 1 | 0,9% |
| 20 | JSC SB «HSBC Bank Kazakhstan» | 1 | 0,9% |
| 21 | JSC SB «Sberbank of Russia»  | 1 | 0,9% |
|  | **Total** | **106** | **100,0%** |

If necessary, the Payment Systems Department of the National Bank conducts documentary inspection of banks on received complaints. Under the results of inspection in case of detection of violations of the law of the Republic of Kazakhstan, the National Bank is authorized to apply the measures in the form of requesting a letter of commitment, entering with the bank into a written agreement, giving the warning, a written order. For violations in the field of payments and money transfers under Article 169 of the Administrative Violations Code of the Republic of Kazakhstan, the National Bank imposes fines on violators.

# PAYMENT SYSTEMS OF KAZAKHSTAN

With the progressive development of the economy of Kazakhstan a steady increase of cashless payments in the national payment systems of Kazakhstan (Interbank System of Money and Interbank Clearing System) is observed each year. Over the past ten years the amount of payments in payment systems increased 2.8 times and amount of payments increased 18.3 times (Figure 1) in comparison with 2001.

*Figure 1.*

**Dynamics of Payment Flows in the payment systems of Kazakhstan**

**since 2001 for 2010** 

In 2008, the global financial crisis impact reduced the amount of payments effected through the national payment system (1.1% decline compared with 2007). However, the measures taken by the government in 2009 to support the commercial banks reduced the problem of liquidity in the banking sector and contributed to the growth of payments in the payment systems of Kazakhstan, with the positive trend continued in 2010.

In general, in 2010 the volume of payments through the national payment system (Interbank System of Money Transfer and Interbank Clearing System) amounted to 187 704.4 billion KZT, while the number of cashless payments reached 29.7 million transactions. Compared with 2009 the number of payments in payment systems increased by 14.6% (by 3 785.3 thousand transactions) and the amount of payments increased by 17.5% (by 27 958.8 billion KZT).

On average 119.3 thousand transactions amounting to 753.8 billion KZT per day were conducted through the payment systems of Kazakhstan in 2010, which is greater in number by 14.6% and in amount by 17.5% compared with 2009.

*Figure 2.*

**Volumes of payments in payment systems in 2009 and 2010**

|  |  |
| --- | --- |
| **Number of payments** | **Amount of payments** |

Major activity of the entities of the financial sector in the effecting payments and money transfers through the national payment system in 2010, was observed when conducting transactions with securities of Kazakhstan residents (47.0% of total payments), as well as interbank deposits and transfers of own funds of banks and their customers (25.5%, respectively). The growth in payments was mainly due to an increase in the amount of payments on securities transactions of residents of Kazakhstan up to 33.3% (Table 2).

*Table 2.*

**Payment flows by codes of single classifier of payments**

**in payment systems**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Section** | **Type of payment** | **2009** | **2010** | **Change** |
| **in billion KZT** | ***in percent of total amount*** | **in billion KZT** | ***in percent of total amount*** | **in billion KZT** | ***in percent***  |
| 0 | Pension and social benefits  | 2 932.7 | *1.8%* | 3 640.4 | *1.9%* | 707.6 | *24.1%* |
| 1 | Specific transfers  | 3 188.0 | *2.0%* | 3 267.0 | *1.7%* | 79.0 | *2.5%* |
| 2 | Foreign currency and precious metals transactions | 19 896.1 | *12.5%* | 19 754.8 | *10.5%* | -141.3 | *-0.7%* |
| 3 | Deposits | 46 762.0 | *29.3%* | 47 786.9 | *25.5%* | 1 025.0 | *2.2%* |
| 4 | Loans | 1 552.8 | *1.0%* | 1 602.8 | *0.9%* | 50.0 | *3.2%* |
| 5 | Securities, promissory notes and certificates of deposit issued by non-residents of RK | 1 207.3 | *0.8%* | 95.1 | *0.1%* | -1 112.2 | *-92.1%* |
| 6 | Securities, promissory notes and certificates of deposit issued by residents of RK | 66 161.4 | *41.4%* | 88 197.5 | *47.0%* | 22 036.1 | *33.3%* |
| 7 | The goods and intangible assets | 6 026.8 | *3.8%* | 8 134.8 | *4.3%* | 2 108.0 | *35.0%* |
| 8 | Services | 6 031.2 | *3.8%* | 7 133.5 | *3.8%* | 1 102.3 | *18.3%* |
| 9 | Payments to the budget and payments from the budget | 5 987.3 | *3.7%* | 8 091.6 | *4.3%* | 2 104.2 | *35.1%* |
|  | **Total** | **159 745.6** | ***100.0%*** | **187 704.4** | ***100.0%*** | **27 958.8** | ***17.5%*** |

# INTERBANK SYSTEM OF MONEY TRANSFER

Each payment system in Kazakhstan has its own features of operating and is focused on specific market segments. In the ISMT, systemically important payment system of the country, the settlement of payments in conducted in real time, i.e. each payment document after entry into the system is processed immediately within few seconds. The system operates all days of a week except holidays and weekends.

Transaction day of the ISMT begins at 9:00. Before the beginning of the transaction day the National Bank, on the basis of payment orders of users, transfers money from their correspondent accounts opened at the National Bank, to a special account in the ISMT of the National Bank. At the same time under a contract with the user money transfer can be done on the basis of a permanent payment order, this order is effective until a written instruction of the user of its cancellation. Information on the amount of money transferred by each user is brought by the National Bank to the attention of KISC. Based on this information KISC reflects the amount of money from the ISMT accounts to the position of users in KISC, and from that moment the transaction day begins.

During the transaction day the ISMT provides irrevocable and final settlement in real time. Remittances in the ISMT are made within the amount of funds of the user transferred by the user to the account in the ISMT of the National Bank, as well as the amounts of funds received from other users of the ISMT.

The ISMT operates as follows. Guarantor’s Bank (Bank A) sends a message to the ISMT (in the form of an electronic payment order) of the money transfer. The ISMT verifies the availability of funds on the participant's position in KISC to the amount of money specified in the message. In case of sufficiency of funds on the positions of the user the system effects money transfer and notify the Guarantor’s Bank (Bank A) of debiting its account and the Beneficiary bank (Bank B) of crediting its account.

In the event of insufficiency of funds for the payment, a payment document is placed in a queue. Payment documents in the queue are processed in accordance with the codes of priority. Within the code of priority the payments documents are processed pursuant to the order of their queue under FIFO (first in, first out) method. System users may establish and change the order of processing of payment documents. In addition, users may revoke a payment document in the queue. However, after receipt of money on the account of the user from other users in the system, the ISMT verifies the possibility of effecting payments in the queue of the user-recipient.

During the transaction day the information on the effected payments and payment documents registered in the queue, and on the balance of money is provided to users at their request. It should be noted that transfer of net positions of users formed upon results of clearing by the retail payments systems is also carried out in ISMT.

The transaction day is closed at 19:00. However, at the request of users, the National Bank may extend the transaction day. After closing the transaction day the ISMT generates to each user the documents closing the transaction day. The National Bank sends e-statement with a balance of user's position. The National Bank shall verify this statements and reports the results of verification to KISC, then the National Bank transfers the money in the amount of surplus of positions of users from accounts in the ISMT in the National Bank to accounts of the users, opened at the National Bank.

Given that the ISMT conducts an individual settlement of each payment and, therefore, uses more technological resources, it is indispensible that higher fees on processing of payment orders are set in the system (Table 3).

*Table 3.*

**Fees for processing a payment instrument in the ISMT**

|  |  |
| --- | --- |
| **Time of processing** | **Cost, KZT** |
| from 8-00 to 13-00 | 57-00 |
| from 13-00 to 19-00 | 114-00 |
| from 19-00 to 8-00 (in case of prolongation of the transaction day) | 740-00 |

The ISMT user can be any bank or organization that carries out certain banking operations, which opened a correspondent account in KZT in the National Bank. At the same time to access the system is necessary to conclude an agreement with the operator of the payment system - RSE «KISC». The number of users of ISMT by 01.01.2011 reached 51[[1]](#footnote-1), including 39 second-tier banks and JSC «Development Bank of Kazakhstan», the Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan, the Interstate Bank and the Eurasian Development Bank, the National Bank, State center on pension payments and 6 organizations conducting certain banking operations (JSC «KazPost», JSC «Kazakhstan Mortgage Company», JSC «Central Securities Depository», JSC «Kazakhstan Stock Exchange», RSE «KISC» and the KISC Clearing House).

Particular attention is paid to compliance of systemically important to the economy ISMT with Core Principles developed by the Committee on Payment and Settlement Systems of the central banks of the «Group of Ten» and intended as guidelines to promote safe and efficient payment systems. The work of the National Bank of Kazakhstan on improvement of ISMT, oriented to international standards is highly evaluated by experts of the International Financial Institutions. Compliance of ISMT with the Core Principles of the Committee on Payment and Settlement Systems is based on the following facts.

*1. The system should have a well-developed legal framework in all relevant jurisdictions.*

The ISMT is based on a sound legal basis provided by the laws of the Republic of Kazakhstan «About the National Bank of Kazakhstan», «On banks and banking activity» and «On payments and remittances». As well the Rules of money transfers in ISMT[[2]](#footnote-2), Instruction on requirements to institutional arrangements and software and hardware, providing access to banks and institutions performing certain types of banking operations to payment systems RSE «KISC»[[3]](#footnote-3) are developed and in effect on the territory of the Republic of Kazakhstan, as well as other rules and standards where procedures of system functioning are revealed in detail.

*2. The rules and procedures of the system should give participants a clear understanding of the impact of the system on each of the financial risks they incur through participation in the system.*

The rules and procedures of the ISMT give a clear definition of rights and responsibilities of all participants in the system. All the rules and procedures are presented in the form of documentation, and available to all participants in the system. Thus, in the Rules of money transfer in the ISMT is given a clear description of the system, responsibilities of each participant in the system, as well as the risks that they may incur, the methods of monitoring and risk management.

3. *The system should have clearly defined procedures for managing credit risk and liquidity risk, they should specify the respective responsibilities of the system operator and its participants, and include appropriate incentives to manage these risks and their control.*

To manage credit risk and liquidity risk are used the mechanisms of queue management, system monitoring in real time. As stated above, the participant of the system has the ability to manage their queue: to prioritize the processing of payment documents, revoke at any time a payment document in the queue. During the transaction day the users at their request may receive information on effected payments and the payment documents, registered in the queue, and on the balance of funds of the user in the system. In order to manage risks the National Bank of Kazakhstan is monitoring the positions of users in real time.

*4. The system should provide prompt final settlement on the value date, preferably during the day or at least at the end of the day.*

The ISMT provides settlement in real time. With sufficient funds in the account to transfer money, the payment document is processed immediately. With insufficient funds in the account, the payment document is placed in queue, and is processed within the day of receipt of sufficient funds to account for effecting this payment.

*5. The system, in which the multilateral clearing is carried out, should at least be able to ensure timely completion of daily settlements in the event of failure of the participant to settle with the largest single settlement obligation.*

The ISMT settles on a gross basis in real time.

*6. Assets used for settlement should preferably be the requirements to the central bank, if other assets are used, they should have minor or no credit risk, minor or no liquidity risk.*

Funds in the accounts at the central bank are usually the most satisfactory asset used for settlement, since there is no credit risk of the holder. Money transfer to the ISMT is carried out within the amounts in the accounts of users in the National Bank of Kazakhstan.

*7. The system should ensure a high degree of security and operational reliability and should have reserve procedures for the timely completion of data processing for a day.*

Safety procedures for the approval of the transfer of electronic messages and detection of errors during transmission are followed in the ISMT. The ISMT’s software provides secure access of users to the system, and secure exchange of information between them. All electronic messages processed by KISC and users should keep audit trail in internal software systems. As well to establish the authenticity of received messages are used digital signatures. Backup center of the system is provided in order to reduce the risk of interruption of ISMT.

*8. Means of payment offered by the system must be practical for users and efficient for the economy.*

The ISMT is a fully automated electronic system that allows transfer funds between the parties without delay and without risk. Procedures for the exchange of electronic messages are set by KISC and delivered to users in the terms established by agreements between the user and KISC. Therefore, all participants are aware of how the system works.

*9. The system should have objective and publicly disclosed criteria for participation that ensure fair and open access.*

The ISMT user can be any bank or organization that carries out certain banking operations, which opened an account at the National Bank of Kazakhstan. Criteria for participation in the system are defined in the rules and procedural regulations, and all participants of the system can easily obtain them. Basic information about the functioning of the ISMT and a copy of the rules of its work is represented on the websites of the National Bank of Kazakhstan and KISC.

*10. Procedures for the management of the system must be effective, accountable and transparent.*

As stated above, the rights and responsibilities of the system are clearly defined and described in the various rules and procedural regulations. Each participant is fully aware of their roles and responsibilities. The National Bank of Kazakhstan, except for the monitoring of the system in real time, also carries out follow-up monitoring of the effectiveness of ISMT. The information on the development of the ISMT is published in periodicals.

Thus, the ISMT meets all the key guidelines of the Committee on Payment and Settlement Systems, which puts the system at the highest level of modern standards, as evidenced by the results of its development. Thus, over the last decade the amount of payments processed in the ISMT has grown 19.0 times, while the number of payments - 3.1 times (Figure 3).

*Figure 3.*

**Dynamics of Payment Flows in the ISMT since 2001 for 2010**

 In 2010 through the ISMT were conducted 11.5 million transactions amounting to 184 490.9 billion KZT. Compared with 2009 the number of payments increased by 14.7% (by 1 467.7 thousand transactions) and amount of payments - by 17.5% (by 27 447.6 billion KZT). The growth in payments in ISMT was due primarily to an increase in the amount of payments on securities transactions of residents of Kazakhstan by 33.3%.

*Figure 4.*

**Volumes of payments in the ISMT in 2009 and 2010**

|  |  |
| --- | --- |
| **Number of payments** | **Amount of payments** |

On an average per day through the ISMT in 2010 passed 46 thousand transactions amounting to 740.8 billion KZT, which is more than the 2009 level by 5.9 thousand transactions in number (14.7%) and by 110.2 billion KZT (17.5%) by amount. The average amount of a payment instrument in the ISMT in 2010 was 16.1 million KZT and increased in comparison with 2009 by 2.4% (by 382.5 thousand KZT).

In terms of users groups the largest share of payments in 2010 accounted for the five largest banks - 29.5% (Table 4), which include JSC «Halyk Savings Bank of Kazakhstan», JSC «Bank CenterCredit», JSC «Citibank Kazakhstan», JSC «BTA Bank» and JSC «Kazkommertsbank», as well as private organizations - 27.3%, which is characterized by the presence in this group of JSC «Central Securities Depository» and JSC «Kazakhstan Stock Exchange».

*Table 4.*

**Payment flows in the IMTS by groups of participants**

|  |  |  |  |
| --- | --- | --- | --- |
| **Group** | **2009** | **2010** | **Change** |
| **in billion KZT** | ***in percent of total amount*** | **in billion KZT** | ***in percent of total amount*** | **in billion KZT** | ***shares in percentage points (items)*** |
| Five large banks | 39 737.4 | *25.3%* | 54 493.5 | *29.5%* | 14 756.1 | *4.2%* |
| Other banks[[4]](#footnote-4) | 34 763.5 | *22.1%* | 34 713.1 | *18.8%* | -50.4 | *-3.3%* |
| SCPP | 1 405.1 | *0.9%* | 1 751.0 | *0.9%* | 345.8 | *0.1%* |
| The Treasury Committee of the Ministry of Finance | 5 439.0 | *3.5%* | 7 317.6 | *4.0%* | 1 878.6 | *0.5%* |
| The National Bank of RK | 35 669.5 | *22.7%* | 34 872.4 | *18.9%* | -797.1 | *-3.8%* |
| Organisations | 39 988.8 | *25.5%* | 51 303.4 | *27.8%* | 11 314.6 | *2.3%* |
| **Total** | **157 003.3** | ***100.0%*** | **184 450.9** | ***100.0%*** | **27 447.6** | ***-*** |

At the same time through the ISMT, system-significant payment system in the country, are conducted the largest and most urgent payments on transactions of the financial sector. In this connection, through that system in 2010 was carried out 98.3% of the total amount of non-cash payments in the country and 38.6% of the total number. Mainly through the ISMT were made payments on the securities of Kazakhstan residents (47.8% of the total amount of payments in ISMT), interbank deposits and transfers of own funds of banks and their clients (25.8%, respectively), as well as foreign currency and precious metals transactions (10.7%). The volume of payments for goods and services amounted to 7.2% in 2010 from the total payments, and amounts of payments to the budget and payments from the budget - 4.0%, respectively.

In 2010, the largest number of payments by intervals of the amounts observed in the range up to 3 million KZT (92.5%), and the least - exceeding 1 billion KZT (0.3%) and from 500 thousand to 1 billion KZT (0.2%). In terms of time intervals the maximum number and amount of the payments were made in the time interval from 15:00 to 18:00 (62.5% of the total number and 55.1% of the total amount of payments made through the ISMT) (Figure 5).

*Figure 5.*

###### Payments in the ISMT in a cut of intervals of time and sums

|  |  |
| --- | --- |
| **Number of payments on intervals of sums** | **Amount of payments on intervals of sums** |
| **Number of payments on intervals of time** | **Amount of payments on intervals of time** |

**Risks and methods of their management**

In order to manage liquidity risk[[5]](#footnote-5) and systemic risk[[6]](#footnote-6), which could have a significant impact on the stability of the financial system, the National Bank and the users of payment systems conduct on an ongoing basis monitoring and control of the user's position in the systems.

In the ISMT to manage these risks is used the queue management mechanism (prioritizing the execution of payment documents, and change of the order of payments documents), additional transfers of funds are made from the correspondent account of the user to its position in the system.

The National Bank of Kazakhstan in order to manage liquidity risk and systemic risk on a daily basis calculate the money turnover ratio (MTR)[[7]](#footnote-7) and the liquidity ratio (LR)[[8]](#footnote-8) of the ISMT, and analysis of their compliance with established values. So, the following corridors of limits of LR and MTR in the system have been set: the upper limit of LR> 1.5 for MTR <0.5, the lower limit LR <0.5 for MTR> 1.5, in which liquidity risk and systemic risk are minimal (Figure 6).

*Figure 6.*

**Indicators of participants’ liquidity in the ISMT since 2001 for 2010**

 The average daily volume of liquidity in the system (the amount of money to be transferred to the system by users to effect payments and money transfers) amounted to 732.4 billion KZT in 2010, an increase compared with 2009 by 26.7% (154.1 billion KZT.) Compared with 2001, liquidity in the system grew by more than 16 times, which contributed to a significant reduction in credit and liquidity risks.

In 2010 the average daily volume of liquidity of users in the ISMT made 98.9% of the average daily amount of payments that characterizes the provision of sufficient liquidity for users of the system to effect payments (see Figure 7).

*Figure 7*

**Dynamics of change of participants’ liquidity in the ISMT in 2010**



Average daily money turnover ratio (MTR) in the ISMT was 1.02, the liquidity ratio of money (LR) - 1.39, which corresponds to the values for which the credit, liquidity and systemic risks are minimal.

Daily analysis of the payment documents in queue within the transaction day of ISMT, withdrawn by users and unexecuted due to lack of liquidity is conducted for risk management. At this stage monitoring of queue of payment documents by banks helped to reduce the amount of unsettled payments. For example, in 2010 due to lack of liquidity 4 payments to the amount of 15.3 million KZT were not settled and four payments to the amount of 7.1 billion tenge were withdrawn, while in 2009 14 payments worth 367.1 million KZT were not settled due to lack of liquidity, and 16 payments worth 7.5 billion KZT withdrawn by users. All unsettled or withdrawn payment documents were processed by users in ISMT on the same day or the next transaction day again.

One of the indicators of effective development of the interbank payment systems operated by the KISC is maintenance of the high ratio of uninterrupted operation (efficiency) of payment systems (ER)[[9]](#footnote-9), which contributes to the timely settlement of payments in the Republic of Kazakhstan.

In order to ensure that the coefficient of efficiency of payment systems comply with pre-defined value for at least 90% KISC permanently monitored the functioning of payment systems, carried out management of operational and technical risks. In case of failures in the payment systems the measures on its restoration had been taken immediately.

In 2010 the value of coefficients of efficiency of ISMT remained at over 99%, which corresponds to the objective. The average coefficient of efficiency of ISMT in 2010 was 99.34%, which characterizes the high efficiency of operation of the payment system (Figure 8).

*Figure 8.*

**Dynamics of change of the ISMT efficiency ratio in 2010**



In order to ensure uninterrupted operation of payment systems and maintaining back-up center in constant readiness RSE «KISC of NBK» in 2010 carried out twice transfer of payment systems to software and hardware of the backup center. For example, on January 27, 2010 RSE «KISC NBK» carried out transfer of work of payment systems to software and hardware of backup center from 7:05 to 12:30. On December 14, 2010 the operation of payment system was conducted by the backup servers for a full transaction day of еру ISMT from 8:13 to 20:00. Payment and communication systems of the ISMT, Interbank clearing systems and Bank messages exchange system worked smoothly on servers of backup center.

# INTERBANK CLEARING SYSTEM

In the Interbank Clearing system all payments are made on the net (clear) basis. The main purpose of this system is to conduct a large number of retail payments for small amounts. Interbank clearing is carried out on a multilateral basis, without the prior deposit of funds in the account of the user. The clearing system uses only credit transfers. All documents submitted to the system, are not final: they can be recalled by the sender during the transaction day. In this case the system has a limit on the maximum amount of a payment equal to 5 million KZT.

The system can use the fixed value date, i.e. send to the system payment instruments with future payment date up to three days. Documents submitted with a future value date, are stored in the system prior to that date, and then processed in the clearing. This gives participants the opportunity to pre-plan their liquidity. Remittances in the ISMT are effected upon results of clearing. Each participant in the system has access to information on all their payments, which are in the system.

A new transaction day of the interbank clearing begins at 16:00. The system works twenty-four-hour 7 days a week. Interbank Clearing feature is that payment documents are not treated individually, and are placed in a queue up to the moment of settlements under FIFO principle. Participants of clearing have the option to withdraw the payment document sent to the system before closing the transaction day.

Settlement of counter-requests of the members of the system with the current date of payment is made once a day from 15:00 to 16:00. Setoff of payments is made in accordance with the codes of priority and within the same code of priority payment documents are processed in order of their arrival in the queue.

The net position of each participant is determined upon the results of the settlement. Net debit position of participant of the clearing should not exceed the amount of money of that member in the ISMT. In the event of insufficiency of funds in the ISMT for the final payment, the payments, standing in the Interbank Clearing in the queue with lower priority will be cancelled. The final transfer of money upon the results of clearing is made through ISMT. After completing the money transfer begins a new transaction day of the clearing system.

Rates for this system is much lower than in the ISMT, since the settlements in the system are not carried out in real time (Table 5).

*Table 5.*

**Fees for processing a payment instrument in the Interbank Clearing System**

|  |  |
| --- | --- |
| **Time of payment processing** | **Cost, tenge** |
| from 16-00 to 9-00 | 9-00 |
| from 9-00 to 13-00 | 11-00 |
| from 13-00 to 16-00 | 22-00 |

In the Interbank Clearing System as of 01.01.2011 the number of participants was 39, including 33 second-tier banks, the Treasury Committee of the Ministry of Finance, the National Bank, the State center for pension payments (3 accounts - account for pension payments, social contributions and social benefits ) and JCS «KazPost».

Statistical data testify that the system performs intended purpose in conducting the main flow of retail payments in small amounts. In 2010 through this system was handled 61.4% of the total amount of all cash payments and 1.7% of the total amount. The main amount of payments in the system accounted for the payments to businesses in settlements for goods and intangible assets (share in total payments in the system amounted to 33.5%), services rendered (27.3%), as well as payments to the budget (payment of taxes and other obligatory payments to the budget) and payments from the budget (20.4%).

At the same time over the last decade the number of payments in the Interbank Clearing System has grown 2.6 times and amount of payments by 5.8 times (Figure 9).

*Figure 9.*

**Dynamics of Payment Flows in the Interbank Clearing System since 2001 for 2010**



In 2010, through the Interbank Clearing System was processed 18.3 million payments in the amount of 3 253.5 billion KZT (or $ 22.1 billion). Compared with 2009 the number of documents in the clearing system increased by 14.5% (by 2.3 million documents), the amount of payments increased by 18.6% (by 511.2 billion KZT) (Figure 10). The increase in total payments to the clearing system was mainly due to the growth of payments for goods and intangible assets by 24.4% and the services rendered by 18.0%.

*Figure 10.*

**Volumes of payments in the Interbank Clearing System in 2009 and 2010**

|  |  |
| --- | --- |
| **Number of payments** | **Amount of payments** |

The average amount of a payment instrument in the Interbank Clearing System in 2010 amounted to 178.3 thousand KZT, an increase compared with 2009 by 3.6% (6.2 thousand KZT). On an average per day in 2010 the clearing system processed 73.3 thousand documents in the amount of 13.1 billion KZT, which is more than the 2009 level by 9.3 thousand transactions (14.5%) in number and by 2.1 billion KZT (18.6%) by volume.

In terms of users groups the largest share of payments in 2010 accounted for the five largest banks - 49.8% (JSC «Halyk Savings Bank of Kazakhstan», JSC «BTA Bank», JSC «Bank CenterCredit», JSC «ATF Bank» and JSC «Kazkommertsbank») (Table 6).

*Table 6.*

**Payment flows in the Interbank Clearing System by groups of participants**

|  |  |  |  |
| --- | --- | --- | --- |
| **Group** | **2009** | **2010** | **Change** |
| **in billion KZT** | ***in percent of total amount*** | **in billion KZT** | ***in percent of total amount*** | **in billion KZT** | ***shares in percentage points (items)*** |
| Five large banks | 1 305.2 | *47.6%* | 1 620.1 | *49.8%* | 314.8 | *2.2%* |
| Other banks  | 759.2 | *27.7%* | 938.1 | *28.8%* | 178.9 | *1.1%* |
| SCPP | 6.2 | *0.2%* | 15.0 | *0.5%* | 8.7 | *0.2%* |
| The Treasury Committee of the Ministry of Finance | 546.1 | *19.9%* | 550.0 | *16.9%* | 3.9 | *-3.0%* |
| The National Bank of RK | 5.5 | *0.2%* | 6.5 | *0.2%* | 1.0 | *0.0%* |
| Organisations  | 120.0 | *4.4%* | 123.7 | *3.8%* | 3.7 | *-0.6%* |
| **Total** | **2 742.3** | ***100.0%*** | **3 253.5** | ***100.0%*** | **511.2** | ***-*** |

In 2010, the largest number of payments by the intervals of amounts accounted for amounts up to 10 thousand KZT (55.9% of the total number of payments), and the smallest - within the range from 500 thousand KZT to 1 million KZT (2.3%). The maximum amount of payments by intervals of amounts in 2010 accounted for the intervals over 1 million KZT (71.4% of total payments) and the minimum - within the range up to 10 thousand KZT (0.9%) (Figure 11).

*Figure 11.*

 

**Risks and methods of their management**

MTR calculation (money turnover ratio in the ICS) is used in the Interbank Clearing System in order to manage liquidity risk and systemic risk, which shows how many times payments were made in the system encountered by the flow of money, as well as analysis of the net position of users. In 2010, the daily average MTR was 5.33, whereas in 2009 the figure was 5.28. The average daily amount of net positions of users under the results of clearing made 2.6 billion KZT, compared with 2009 increased by 14.3%. The share of the net positions of the users in respect to the amount of average daily turnover of users in the ISMT[[10]](#footnote-10) is small - 0.3%, helping to reduce liquidity risk in the settlement of net positions through ISMT (Figure 12).

*Figure 12.*

**Indicators of liquidity and turnover in the Interbank Clearing System**



In addition, in order to minimize the occurrence of credit, liquidity and systemic risks the payments, canceled due to lack of funds of the user in the system of ISMT in calculating its net position upon results of clearing are analyzed daily in the Interbank Clearing System. At the same time in 2010 no facts of cancellation of payment documents in the system were revealed, whereas in 2009 3 users of Interbank Clearing System did not execute 1 065 payment documents due to lack of liquidity to the amount of 181.4 million KZT.

The value of the average coefficient of efficiency of the Interbank Clearing System (99.77%) characterizes high efficiency of operation of the payment system and the reliability of existing methods of restoring its operation (Figure 13).

*Figure 13.*

**Dynamics of change of the Interbank Clearing System efficiency ratio in 2010**



# SYSTEM OF INTERBANK CORRESPONDENT RELATIONS

Banks and organizations carrying out certain banking operations, may also effect payments through direct correspondent accounts opened between them. Direct correspondent relations are contractual relationships between banks and between banks and nonbank institutions, arising from opening correspondent accounts between them in order to carry out operations related to the implementation of banking services under the contract of the correspondent account and the laws of the Republic of Kazakhstan. The choice in favor of mutual or unilateral Correspondent relations depends on various factors, which include as follows: the volume of mutual flow of payments, demand of credit resources in the market, the ability to participate in bidding on the regional stock exchanges, as well as the possibility of quick withdrawal of funds in correspondent accounts.

Herewith, in contrast to the implementation of the final settlement on accounts opened in the National Bank, settlements on direct correspondent accounts face risks that the bank, which opened a correspondent account may be declared bankrupt, or it will not have enough funds to meet its obligations. In addition, the sophisticated banking system, comprising a large number of participants, the large number of open correspondent accounts requires withdrawal of a significant amount of liquidity. In this regard, the most optimal and risk-free way to carry out the final interbank settlement is the National Bank (through the correspondent account opened at the National Bank), which, because of its unique position does not create credit and liquidity risk for its customers-banks.

In order to manage risk when effecting payments through direct correspondent accounts, the National Bank set a limit for banks and nonbank for the monthly amount of these payments. The size of this limit is 5% of the total amount of payments the bank or nonbank through payment systems in the previous month. In the case of exceeding the limit of payments established by the National Bank, the Bank is liable in accordance with the laws of the Republic of Kazakhstan.

Below is the dynamics of direct correspondent relations in the period from 2001 to 2010 (Figure 14).

*Figure 14.*

**Volumes of payments through direct correspondent accounts opened between banks**

|  |
| --- |
|  |

During the reporting period through correspondent accounts opened between banks and non-bank institutions were carried out payments totaling 10 585.1 billion KZT (1.2% of the total amount of payments through ISMT and SMC).

In 2010, through correspondent accounts opened between banks and nonbank institutions, payments were made amounting to 1 404.3 billion KZT (0.7% of the total amount of payments through ISMT and Interbank Clearing System), the number of payment transactions reached 3 729.1 thousand transactions. Compared with 2009 the volume of payments increased by 10.2% or 130.2 billion KZT, while the number of transactions decreased by 13.6% or by 584.6 thousand transactions.

The average amount per transaction through direct correspondent accounts in 2010 made 376.6 thousand KZT and increased in comparison with 2009 by 27.5% (or 81.2 thousand KZT).

However, the volume of payments through direct correspondent accounts in 2010 was 0.7% of the total outgoing payments through KISC of participants of correspondent relations for the previous month (the limit is 5%). Consequently, of the 5% limit set was used only 0.7%.

The coefficient of use of the limit in general for all users made 32.4%[[11]](#footnote-11). Compared with 2009, the coefficient of efficiency of use of limit decreased by 3.4% from 36.1% in 2009 (Table 7).

*Table 7.*

**Table of use of the limit**

|  |  |  |
| --- | --- | --- |
| **Quarter** | **2009** | **2010** |
| **Amount of payments through direct correspondent accounts****(in billion KZT)** | **Amount of the limit****(in billion KZT)** | ***Coefficient of use of the limit*** | **Amount of payments through direct correspondent accounts****(in billion KZT)** | **Amount of the limit****(in billion KZT)** | ***Coefficient of use of the limit*** |
| I quarter | 370.2 | 899.6 | *41.2%* | 243.6 | 1 075.4 | *22.6%* |
| II quarter | 303.6 | 692.3 | *43.9%* | 308.5 | 1 138.2 | *27.1%* |
| III quarter | 324.6 | 989.4 | *32.8%* | 389.3 | 1 066.0 | *36.5%* |
| IV quarter | 275.7 | 947.9 | *29.1%* | 463.1 | 1 058.6 | *43.7%* |
| **Total** | **1 274.1** | **3 529.2** | ***36.1%*** | **1 404.3** | **4 338.1** | ***32.4%*** |

# PAYMENT INSTRUMENTS

The goods and services purchased on the market can be paid in cash and cashless. Non-cash means of payment to ensure timely settlement are more commonly used for deals concluded between suppliers and buyers located at large distances from each other. At the same time for effecting non-cash payments and transfers are used payment instruments which help to initiate a payment and under these instruments the transfer of money is made.

In 2010 second-tier banks and JSC «KazPost» with use of payment instruments[[12]](#footnote-12) such as money orders, payment requests, orders, collection orders, payment cards, checks for payment for goods and services, executed letters of credits and direct debits of bank accounts held transaction in the amount of 188.0 million transactions to the amount of 122033.7 billion KZT (Figure 15 and Table 8 and 9).

*Figure 15.*

**Dynamics of change of number and amount of payment instruments**

**since 2001 for 2010**



*Table 8.*

**Data on the use of payment instruments in 2001-2010**

**(number of transactions)**

*in thousand transactions*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Period** | **Payment orders** | **Payment request-orders** | **Collection orders** | **Payment cards** | **Other payment instruments** | **Total** |
| 2001 | 14 387.8 | 145.4 | 2 118.7 | 14  629.3 | 1 315.5 | 32 596.7 |
| 2002 | 13 000.8 | 104.6 | 265.9 | 20 957.5 | 470.1 | 34 799.0 |
| 2003 | 19 177.4 | 131.5 | 200.3 | 28 748.3 | 426.2 | 48 683.7 |
| 2004 | 25 862.9 | 96.0 | 263.6 | 36 611.7 | 437.8 | 63 272.0 |
| 2005 | 30 454.0 | 120.1 | 301.2 | 49 820.4 | 4 335.2 | 85 030.6 |
| 2006 | 30 870.4 | 135.5 | 341.9 | 66 826.5 | 7 867.9 | 106 042.2 |
| 2007 | 35 239.8 | 230.4 | 492.1 | 86 734.7 | 9 430.5 | 132 127.4 |
| 2008 | 36 355.9 | 475.5 | 783.6 | 102 545.0 | 7 863.9 | 148 023.9 |
| 2009 | 39 052.9 | 209.9 | 357.9 | 118 076.5 | 6 077.7 | 163 775,0 |
| 2010 | 46 656.1 | 207.9 | 861.9 | 136 322.2 | 3 925.0 | 187 973.1 |

*Table 9.*

**Data on the use of payment instruments in 2001-2010**

**(amount of transactions)**

*in billion KZT*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Period** | **Payment orders** | **Payment request-orders** | **Collection orders** | **Payment cards** | **Other payment instruments** | **Total** |
| 2001 | 11 217.2 | 27.2 | 3 089.9 | 147.2 | 1 023.6 | 15 505.1 |
| 2002 | 12 332.7 | 30.3 | 431.1 | 251.0 | 307.8 | 13 352.9 |
| 2003 | 20 774.5 | 46.6 | 288.0 | 396.2 | 412.6 | 21 917.8 |
| 2004 | 32 269.2 | 93.5 | 223.9 | 566.1 | 901.0 | 34 053.7 |
| 2005 | 44 929.3 | 217.2 | 140.7 | 848.7 | 1 498.8 | 47 634.7 |
| 2006 | 53 073.7 | 42.1 | 294.0 | 1 241.8 | 1 532.9 | 56 184.5 |
| 2007 | 84 022.5 | 132.6 | 187.4 | 1 897.9 | 1 810.3 | 88 050.7 |
| 2008 | 104 552.5 | 269.9 | 238.4 | 2 310.1 | 2 498.3 | 109 869.1 |
| 2009 | 82 791.4 | 372.6 | 287.2 | 2 649.6 | 3 875.5 | 89 976.3 |
| 2010 | 114 604.7 | 820.4 | 523.2 | 3347.3 | 2 738.0 | 122 033.6 |

Compared with 2009 the total number of used payment instruments increased by 24.1 million transactions (14.8%), and their amount increased by 32.0 trillion KZT (35.6%). Increase of the amount of payment is due mainly to increased volumes of payments using payment orders by 31.8 trillion KZT (38.4%). The average amount of a payment order increased in comparison with 2009 by 15.9% and amounted to 2.5 million KZT in 2010. Growth in the number of payments is mainly characterized by an increase in the number of transactions using payment cards by 18.2 million transactions (15.5%).

In comparison with 2001 the number of used payment instruments increased by 155.4 million transactions (5.8 times), and their amount increased by 106.5 trillion KZT (7.9 times). This increase in the amount of payments is due mainly to an increase in the amount of payments using payment orders by 103.4 trillion KZT (10.2 times). The average amount of a payment order increased in comparison with 2001 by 3.2 times from 800 thousand KZT to 2.5 million KZT in 2010. Growth in the number of payments is also associated with an increase in the number of transactions using payment cards by 122.1 million transactions (9.3 times).

The structure of non-cash payments by type of used payment instruments in comparison with previous periods did not change significantly. As before, the most commonly used instruments in Kazakhstan are money orders and payment cards. The share of payments made by payment orders in the total volume of payment instruments (including debit cards) for 2010 amounted to 24.8% in the number of payments, and 93.9% in volumes of payments. Compared with 2009, the rise of the use of payment orders by 19.5% and the volume of payment orders by 38.4% is observed.

The proportion of use of payment requests-orders is small, both in quantity and amount (0.1% and 0.7% respectively), collection orders (0.5% in quantity and 0.4% by volume of payments) and other tools (2.1% in quantity and 2.2% by volume of payments).

By regions of greatest activity is observed in Almaty and Akmola regions. Thus, the share of payment instruments used in the Almaty region amounted to 37.9% in number and 0.6% by volume. The use of payment instruments in Akmola made 11.1% in number and 0.2% by volume (Tables 10 and 11).

This trend is linked to economic and demographic features of these regions of Kazakhstan, and significant presence of financial and banking structures in the regions through which passes the great information and cash flows.

*Table 10.*

**Use of payments instruments in a cut of regions in 2010**

**(number of transactions)**

|  |
| --- |
| *(in unit transactions*) |
| **Region** | **Payment orders** | **Payment request-orders** | **Collection orders**  | **Other payment instruments** |
| Akmola | 5 301 553 | 30 649 | 67 593 | 323 915 |
| Aktubinsk | 2 235 787 | 7 791 | 20 504 | 121 802 |
| Almaty | 18 402 167 | 77 870 | 403 071 | 667 239 |
| Atyrau | 1 929 537 | 7 963 | 19 517 | 126 747 |
| East Kazakhstan | 2 623 184 | 7 810 | 36 896 | 241 532 |
| Jambul | 1 085 194 | 4 951 | 70 631 | 520 753 |
| West Kazakhstan | 1 557 798 | 16 706 | 11 718 | 89 180 |
| Karaganda | 3 514 356 | 10 866 | 89 260 | 473 959 |
| Kostanai | 2 012 249 | 4 631 | 13 776 | 452 033 |
| Kyzylorda | 1 140 555 | 4 289 | 35 099 | 48 500 |
| Mangistau | 1 635 047 | 10 365 | 16 198 | 155 717 |
| Pavlodar | 1 892 631 | 5 096 | 17 085 | 348 158 |
| North Kazakhstan | 1 327 531 | 2 952 | 34 869 | 91 348 |
| South Kazakhstan | 1 998 520 | 15 931 | 25 685 | 264 134 |
| **Total** | **46 656 109** | **207 870** | **861 902** | **3 925 017** |

*Table 11.*

**Use of payments instruments on regions in 2010**

**(amount of transactions)**

|  |
| --- |
| **(in million KZT)** |
| **Region** | **Payment orders** | **Payment request-orders** | **Collection orders**  | **Other payment instruments** |
| Akmola | 25 716 091.3 | 9 288.2 | 40 039.0 | 172 797.8 |
| Aktubinsk | 2 804 943.5 | 8 446.3 | 2 367.2 | 154 027.4 |
| Almaty | 68 798 150.1 | 660 880.1 | 281 096.7 | 2 082 559.7 |
| Atyrau | 1 727 617.6 | 265.7 | 6 901.0 | 22 205.7 |
| East Kazakhstan | 1 677 255.6 | 949.5 | 2 318.8 | 7 915.9 |
| Jambul | 586 858.8 | 7 527.6 | 14 725.5 | 4 165.0 |
| West Kazakhstan | 995 795.4 | 1 048.8 | 6 674.1 | 70 599.3 |
| Karaganda | 2 816 256.9 | 2 964.6 | 4 844.8 | 28 878.0 |
| Kostanai | 1 974 146.8 | 19 304.1 | 457.8 | 120 057.5 |
| Kyzylorda | 868 482.8 | 43 492.2 | 6 863.2 | 4 122.6 |
| Mangistau | 2 100 130.1 | 1 645.3 | 148 790.2 | 12 439.9 |
| Pavlodar | 2 595 206.9 | 13 105.3 | 3 389.0 | 26 398.4 |
| North Kazakhstan | 606 641.5 | 34 702.8 | 2 740.2 | 4 545.0 |
| South Kazakhstan | 1 337 104.9 | 16 827.3 | 1 982.8 | 27 324.1 |
| **Total** | **114 604 682.2** | **820 447.6** | **523 190.4** | **2 738 036.4** |

# PAYMENT CARDS

The past ten years were marked by rapid and effective pace of development of the domestic payment cards market. This relate to all aspects and indicators: the number of issuers and acquirers of cards, the number of issued and distributed cards and their holders, infrastructure, and transaction volumes, as well as expanding the range of opportunities for new card products and services offered by Kazakhstan banks. Issuing activities and acquiring business are closely linked with new technologies of communication, storage and processing of information, as well as decisions to reduce risk of data loss. In particular, if in the early 2000s, payment cards were issued with the magnetic strip, then in 2010, most of them is issued with a microchip.

In addition, the scope of payment cards expanded significantly, due to the development of a common network of cardholders servicing, introduction of new features based on existing equipment, as well as the emergence of new ways to effect payments and money transfers, in particular through the Internet and mobile phones.

Involvement of new players in the payment cards market should be noted as well. Thus in 2002, 14 commercial banks issued payment cards, in 2010 their number reached 20 second-tier banks and JSC «Kazpost» engaged in such issuing and distribution of payment cards issued by foreign issuers (see Figure 16).

*Figure 16.*

**Number of payment cards issuers**



The payment cards market of Kazakhstan is represented by cards of international payment systems and local products. Second-tier banks and JSC «Kazpost» issue and distribute plastic cards of international systems: VISA International, MasterCard Worldwide, American Express International, Diners Club International and China Union Pay. As well the cards of local systems are represented on the market: Altyn Card - JSC «Halyk Savings Bank of Kazakhstan», SmartAlemCard - JSC «BTA Bank» and the local card of Citibank Kazakhstan - JSC «Citibank Kazakhstan». However, in recent years a number of local systems of payment cards has ceased to exist, among which TemirCard, KazCard, Kaspi and local cards of JSC «Tsesna bank». The main reason for the refusal of banks to issue local payment cards is their low demand among the population.

In this connection, an increase in the proportion of payment cards of international systems in the total number of payment cards in circulation was observed, in 2001 they accounted for 81.0% by the end of 2010 the figure was 98.0% (Table 12).

*Table 12.*

**Dynamics of changes of international and local systems cards share**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Год** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| Share of international systems cards | 81,0% | 84,2% | 82,2% | 87,3% | 87,1% | 95,3% | 96,4% | 97,5% | 97,9% | 98,0% |
| Share of local systems cards | 19,0% | 15,8% | 17,8% | 12,7% | 12,9% | 4,7% | 3,6% | 2,5% | 2,1% | 2,0% |

Several years ago the market was represented mainly by payroll projects and people of Kazakhstan with the use of payment cards received salaries and allowances. Now the market is represented by a wide range of services and offers a large variety of card programs. For example, using the payment card you can pay for goods and services in shops and restaurants, utilities, communications services, taxes and customs payments, repay loans, transfer money from card to card, to order goods and services in the Internet or through your phone. Therefore, more and more people of Kazakhstan prefer to use payment cards. In 2001, an average of 12 people in Kazakhstan accounted for one payment card, whereas in 2010 this number is one card for 2 people (Figure 17).

*Figure 17.*



As of 01.01.2011 the total number of cards issued and distributed by Kazakhstan banks reached 8.4 million units, which is higher than the corresponding period of the last year up to 10.2%. The number of holders of cards in 2010 increased by 9.5% to 7.8 million or 90.8% of the economically active population (Figure 18).

*Figure 18.*



Since most of the banks' customers became cardholders under the «payroll projects», most of the cards in circulation are debit, which accounted for about 89.5% of the total number of cards in circulation. The share of debit cards with a credit limit is 2.6%, payment cards - 7.8%, prepaid cards - 0.1%. A small proportion of credit cards is associated with both the service cost, and with the possibility of establishing a credit limit on debit cards. However, in view of the convenience of credit cards and their ability to replace certain types of lending in the future an increase in the number and volume of transactions using these types of cards should be expected.

However, about half of payment cards in circulation are inactive, i.e. not used (Figure 19).

*Figure 19.*

**Ratio of number of emitted and used cards**



There is therefore a positive growth in the number and amount of transactions using **active** payment cards issued by Kazakhstan issuers. So in 2002 an average of 23.1 transactions in the amount of 276.7 thousand KZT (an average transaction is 12 000 KZT) were made on an active card, and in 2010 this indicator was 35.4 transactions in the amount of 870.1 thousand KZT (an average transaction is 24 600 KZT) (Figures 20 and 21).

*Figure 20.*

**Number of payments made on the average by one active payment card**

*Figure 21.*

**Amount of payments made on the average by one active payment card**

 As a whole in 2010, **payments using payment cards of Kazakhstan's issuers, effected in Kazakhstan,** amounted to 131.5 million transactions worth 3186.7 billion KZT (21.6 billion dollars), an increase compared to 2009 year by 14.9% and 26.4% respectively (Figure 22). Of these, cashless transactions are 22.5 million to the amount of 327.8 billion KZT, which is higher than the corresponding figures in 2009 up to 23.2% and 36.1% respectively. Cash withdrawal transactions amounted to 109.0 million transactions worth 2858.9 billion KZT, an increase compared to 2009, by the number up to 13.3% and amount up to 25.4%.

*Figure 22.*

**Dynamics of flows of payments using payment cards of Kazakhstan's issuers in the territory of Kazakhstan**



**Payments outside Kazakhstan using payment cards of Kazakhstan issuers** in 2010 reached 4.8 million transactions amounting to 160.6 billion KZT, or 33.0% and 24.5% respectively which is higher than these figures in 2009 (Figure 23) . Of them 3.0 million transactions amounting to 83.4 billion KZT were conducted as non-cash, which is higher than the corresponding figures in 2009 by 45.0 and 30.3% respectively. Cash withdrawal transactions reached 1.8 million transactions amounting to 77.2 billion KZT, an increase compared to 2009 by the number up to 16.5% and the amount up to 18.8%.

*Figure 23.*

**Dynamics of flows of payments using payment cards of Kazakhstan's issuers**

**outside Kazakhstan**



**The total amount of payments using payment cards of Kazakhstan issuers,** effected in the territory and outside Kazakhstan, in 2010 reached 136.3 million by the number of transactions in the amount of 3 347.3 billion, an increase compared with 2009 up to 15.5 % and 26.3% respectively.

The number of cash withdrawal transactions using the cards of Kazakhstan's issuers reached 110.8 million transactions in the amount of 2 936.1 billion KZT. Non-cash payments for goods and services using payment cards Kazakhstan’s issuers reached 25.6 million transactions (18.8% of the total number) in the amount of 411.1 billion KZT (12.3% of the total amount). It should be noted that the development of new banking services (payment through ATMs, kiosks, Internet) contributed to the growth of cashless payments using payment cards in recent years. Thus, in comparison with 2001, the number and amount of transactions on cash withdrawal using the card of Kazakhstan's issuers increased 8.1 times and 21.3 times respectively, while the number and amount of cashless payments increased by 64.0 times and 71.0 times, respectively (Figure 24).

*Figure 24.*

**Dynamics of changes of number and amount of payments using payment cards**

|  |  |
| --- | --- |
| **Number of payments** | **Amount of payments** |

Currently, non-cash payments using payment cards are mainly carried out through POS-terminals (49.4% of the total volume of cashless payments) and ATM (31.3%). The share of non-cash payments made through banking kiosks is 10.6%, Internet - 5.0%, and other devices - 3.7%. Cash withdrawal operations in 96.5% and 3.5% of cases are carried out through ATMs and POS - terminals, respectively.

The greatest demand among the population are cards of VISA International, which is explained by the prevalence and popularity of this card in the world. These cards in 2010 accounted for 81.0% and 82.7% of the total number and amount of all payments made using payment cards of Kazakhstan’s issuers (Table 13).

*Table 13.*

**Share of use of payment cards of Kazakhstan’s issuers**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| Local systems | Number | 14,0% | 9,6% | 8,8% | 8,8% | 8,9% | 6,1% | 3,1% | 3,0% | 2,5% | 2,3% |
| Amount | 8,6% | 6,9% | 8,7% | 8,1% | 8,2% | 5,7% | 5,6% | 2,9% | 2,5% | 2,4% |
| International systems, of which: | Number | 86,0% | 90,4% | 91,2% | 91,2% | 91,1% | 93,9% | 96,9% | 97,0% | 97,5% | 97,7% |
| Amount | 91,4% | 93,1% | 91,3% | 91,9% | 91,8% | 94,3% | 94,4% | 97,1% | 97,5% | 97,6% |
| *VISA* | *Number* | *72,4%* | *76,9%* | *77,0%* | *72,4%* | *73,4%* | *76,4%* | *76,5%* | *77,0%* | *77,4%* | *81,0%* |
| *Amount* | *76,7%* | *79,4%* | *77,3%* | *75,3%* | *76,8%* | *78,8%* | *76,5%* | *78,1%* | *79,8%* | *82,7%* |
| *MasterCard* | *Number* | *13,1%* | *13,4%* | *14,2%* | *18,7%* | *17,7%* | *17,5%* | *20,4%* | *19,9%* | *20,0%* | *16,6%* |
| *Amount* | *14,0%* | *13,6%* | *14,0%* | *16,6%* | *15,0%* | *15,5%* | *17,9%* | *19,0%* | *17,5%* | *14,8%* |

**Payments using payment cards of foreign issuers in Kazakhstan** in 2010 reached 2.2 million transactions amounting to KZT 65.2 million, an increase compared to 2009 by 23.7% in number and 28.3% in amount. Of which 783.8 thousand are non-cash transactions amounting to 29.8 billion KZT, which is higher than the corresponding figures in 2009 by 28.0% and 31.5% respectively. Cash withdrawal transactions reached 1439.5 million transactions amounting to 35.4 billion KZT, an increase compared to 2009 in number by 21.5% and in amount by 25.7% (Figure 25).

*Figure 25.*

**Dynamics of flows of payments using payment cards of foreign issuers**

**in the territory of Kazakhstan**



The greatest amount of these payments were also performed using payment cards of VISA International systems, the share of which in 2010 reached 69.5% and 68.4% of the total number and amount of all payments effected using payment cards of foreign issuers in Kazakhstan (Table 14).

*Table 14.*

**Share of use of payment cards of foreign issuers**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| VISA | Number | 60,1% | 61,2% | 62,4% | 72,2% | 71,2% | 72,1% | 71,1% | 69,5% |
| Amount | 60,9% | 58,7% | 59,9% | 65,0% | 64,7% | 65,4% | 65,7% | 68,4% |
| MasterCard | Number | 35,8% | 35,5% | 34,3% | 25,5% | 26,9% | 25,5% | 26,3% | 27,8% |
| Amount | 29,6% | 33,3% | 31,8% | 28,3% | 28,0% | 27,1% | 26,6% | 24,8% |
| American Express  | Number | 3,9% | 3,2% | 3,3% | 2,2% | 1,9% | 2,2% | 2,4% | 2,4% |
| Amount | 9,0% | 7,8% | 8,1% | 6,6% | 7,1% | 7,2% | 7,3% | 6,2% |
| Diners Club  | Number | 0,2% | 0,1% | 0,1% | 0,04% | 0,02% | 0,03% | 0,02% | 0,03% |
| Amount | 0,5% | 0,3% | 0,2% | 0,1% | 0,1% | 0,1% | 0,1% | 0,1% |
| China Union Pay | Number | - | - | - | 0,01% | 0,04% | 0,13% | 0,21% | 0,30% |
| Amount | - | - | - | 0,01% | 0,04% | 0,14% | 0,27% | 0,45% |

However, in the context of transactions, the largest share of the total volume of cashless payments using payment cards accounts for payments for goods and intangible values, customs fees and transfers from one to another bank account. By number of transactions also prevails payment for goods and intangible assets, in addition a considerable proportion of payments for services to telecom operators in small amounts (Table 15).

*Table 15.*

**Information on cashless payments using credit cards**

**classified by the types of operations for the year 2010**

|  |  |  |
| --- | --- | --- |
| **Type of operation** | **Share from total number of payments** | **Share from total amount of payments** |
| Payments for goods and intangible assets | 50.1% | 52.7% |
| Customs duties | 0.3% | 24.0% |
| Transfers from one customer's bank account to another bank account | 5.5% | 13.5% |
| Payment for the services of mobile operators | 36.1% | 2.1% |
| Payment for the services of JSC "Kazakhtelecom" | 1.4% | 0.3% |
| Utility bills payments | 0.7% | 0.2% |
| Placing of interest earning deposits | 0.1% | 0.2% |
| Issuance of loans | 0.2% | 0.1% |
| Repayment of loans | 0.04% | 0.1% |
| Cash payment to the bank account | 0.03% | 0.1% |
| Withdrawal of interest earning deposits | 0.01% | 0.03% |
| Cable TV bills payment | 0.1% | 0.02% |
| Tax payments | 0.01% | 0.01% |
| Insurance | 0.01% | 0.01% |
| Other types of payments and money transfers | 5.4% | 6.5% |

**Payment cards servicing network**

The development of the market depends on the availability of an extensive payment cards accepting network. As by 01.01.2011, 10721 commercial enterprises operated in Kazakhstan accepting cards for payment, which is 6.3% (by 632 entities) higher than the number stated on January 1, 2009. The given businesses placed equipment to collect payments for goods and services using payment cards at their 16 528 sales outlets (an increase up to 11.6% or 1 713 units, respectively).

Payment card servicing network of Kazakhstan is represented as follows: 25914 POS terminals, 7605 ATMs and 711 imprinters. Compared with the period of January 1, 2010, there has been growth in the number of POS terminals by 13.1% (by 3001 units), ATMs by 9.3% (by 644 units) and decrease in the number of imprinters by 14.4% (by 120 units.) due to the process of modernization of banks equipment and withdrawal of obsolete imprinters from production (Figure 26).

*Figure 26.*

**Dynamics of changes of number of business enterprises**

**and equipment for payment cards**



The average load of the device for servicing payment cards is minor. So, in 2001, one ATM per day on average processed about 69 transactions for cash withdrawal, while in 2010 the figure was less than 40 transactions. POS-terminals had minor load as well, in 2010 one POS-terminal accounted for less than 3 non-cash payments per day (Table 16).

*Table 16.*

**Number of transactions spent in day by ATMs and POS-terminals**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Figures** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| Number of transactions spent by ATMs | 0,4 | 0,5 | 0,4 | 1,1 | 1,9 | 1,8 | 1,9 | 2,0 | 2,2 | 2,4 |
| Number of transactions spent by POS-terminals | 68,9 | 78,7 | 85,2 | 82,3 | 70,2 | 69,4 | 45,4 | 36,8 | 37,4 | 38,8 |

In addition, positive dynamics of proportion of equipment and cardholders is observed during the period. So in 2001 one POS-terminal and ATM had 456 and 2182 cardholders respectively. In 2010, one POS-terminal and ATM accounted for 302 and 1028 cardholders respectively (Table 17).

*Table 17.*

**Number of cardholders on one ATM and POS-terminal**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Figures** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| Number of cardholders on one ATM | 455.8 | 451.9 | 450.3 | 540.1 | 438.7 | 363.0 | 325.0 | 324.9 | 311.4 | 301.7 |
| Number of cardholders on one POS-terminal | 2 182 | 2 085 | 2 166 | 2 023 | 1 818 | 1 735 | 1 222 | 1 065 | 1 026 | 1 028 |

**Regional cross-section of the payment card market**

The greatest development the payment cards received in Almaty, which accounted for 23.8% of cards in circulation, 22.4% of cardholders and 19.8 of the used cards. It should be noted that the number of cards in circulation in the city of Almaty prevail the number of the residents.

The most favorable situation on the proportion of cardholders to the region's population (most of the inhabitants of the region are cardholders) is observed in Almaty, Astana, Atyrau and Mangystau (Table 18).

*Table 18.*

**Number of cards in circulation, cardholders, used payment cards in a cut of regions on 01.01.2011[[13]](#footnote-13)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Region (city)** | **Number of cards in circulation** **(thousand units)** |  **Number of cardholders****(thousand individuals)** |  **Number of used cards** **(thousand units)** | **Population on 01.01.2011** **(thousand individuals)** | **Efficiency indicators** |
| ***Number of individuals on 1 card (ind.)*** | ***Number of cardholders / population, %*** |
|
| Akmola | 262,7 | 247,5 | 146,1 | 733,0 | *3* | 33,4% |
| Aktubinsk | 461,7 | 437,5 | 213,4 | 777,3 | *2* | 56,7% |
| Almaty | 300,8 | 283,2 | 159,0 | 1 857,8 | *6* | 15,0% |
| Atyrau | 412,0 | 383,3 | 189,6 | 531,6 | *1* | 72,1% |
| East Kazakhstan | 668,5 | 623,8 | 330,5 | 1 396,7 | *2* | 44,5% |
| Jambul | 317,6 | 304,5 | 175,3 | 1 043,6 | *3* | 29,2% |
| West Kazakhstan | 299,7 | 280,5 | 132,4 | 608,0 | *2* | 45,9% |
| Karaganda | 813,3 | 769,7 | 405,7 | 1 351,9 | *2* | 56,8% |
| Kostanai | 324,8 | 306,1 | 183,6 | 881,2 | *3* | 35,1% |
| Kyzylorda | 301,5 | 286,9 | 164,5 | 699,1 | *2* | 40,6% |
| Mangistau | 400,3 | 367,2 | 186,9 | 523,6 | *1* | 70,2% |
| Pavlodar | 448,2 | 415,7 | 231,9 | 746,0 | *2* | 55,7% |
| North Kazakhstan | 206,8 | 194,6 | 105,3 | 588,9 | *3* | 33,3% |
| South Kazakhstan | 569,4 | 538,9 | 275,3 | 2 563,1 | *5* | 20,9% |
| Almaty (city) | 2 051,9 | 1 742,6 | 761,6 | 1 434,8 | *1* | 120,4% |
| Astana (city) | 627,6 | 570,6 | 275,1 | 697,3 | *1* | 80,8% |
| **Total on the Republic of Kazakhstan** | **8 466,8** | **7 752,6** | **3 936,1** | **16 433,8** | ***2*** | **47,0%** |

Following Almaty, payment cards are widely used in regions such as Karaganda region (9.7% of the total number of cards in circulation, 10.0% of their holders and 10.1% of the total number of cards used), the Eastern Kazakhstan region (7.9%, 8.0% and 8.4% respectively), Astana (7.4%, 7.3% and 6.9% respectively) and the Southern Kazakhstan region (6.7%, 7.0% and 7.1% respectively). In other regions the proportion of these indices is less than 6.0% for all indicators, respectively. In this case the smallest spread of payment cards is observed in the Northern Kazakhstan region, which share was 2.5%, 2.5% and 2.7% respectively (Figure 27).

*Figure 27.*

**Cards in circulation in a cut of regions**

 In 2010, the major share of all transactions using payment cards accounted for Almaty (share in total payments amounted to 24.5% in the number and 24.8% in the amount of transactions). This fact explains the development of the region as a city of national significance, the largest financial, scientific, educational, cultural and tourist center of the republic, as well as higher development of all segments of the market of payment cards.

In addition to Almaty transactions using payment cards are most common in regions such as: Astana (the proportion was 9.4% and 10.0% respectively), Karaganda region (8.9% and 7.9% respectively) and Eastern Kazakhstan region. In the remaining regions these figures represent less than 6.5%. The least favorable situation with the use of cards in the settlements is in the Northern Kazakhstan (2.6% and 2.1% respectively) and Akmola (2.9% and 2.8% respectively) regions (Table 19).

*Table 19.*

**Use of payment cards, issued by banks of Kazakhstan and foreign banks, in Kazakhstan in a cut of regions in 2010[[14]](#footnote-14)**

*thousand transactions and billion KZT*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region (city)** | **Non-cash payments** | **Withdrawals of cash** | **Total number of payments (thous. tr.)** | **Total amount of payments (million KZT)** |
| **number of payments (thous. tr.)** | **amount of payments (million KZT)** | **number of payments (thous. tr.)** | **amount of payments (million KZT)** |
| Akmola | 272.2 | 10 038.5 | 3 629.3 | 80 217.7 | 3 901.5 | 90 256.2 |
| Aktubinsk | 664.8 | 16 665.6 | 6 200.7 | 153 346.3 | 6 865.5 | 170 011.9 |
| Almaty | 605.3 | 11 885.5 | 3 919.1 | 100 558.2 | 4 524.4 | 112 443.6 |
| Atyrau | 628.1 | 33 876.8 | 5 898.3 | 166 728.9 | 6 526.4 | 200 605.7 |
| East Kazakhstan | 1 747.6 | 13 160.1 | 9 546.6 | 214 397.9 | 11 294.2 | 227 558.1 |
| Jambul | 506.9 | 13 859.5 | 4 341.7 | 102 875.8 | 4 848.5 | 116 735.3 |
| West Kazakhstan | 896.8 | 17 958.0 | 4 118.6 | 97 134.6 | 5 015.4 | 115 092.6 |
| Karaganda | 923.9 | 15 991.0 | 10 935.9 | 242 489.7 | 11 859.8 | 258 480.7 |
| Kostanai | 594.1 | 8 116.4 | 4 514.7 | 103 279.1 | 5 108.8 | 111 395.4 |
| Kyzylorda | 874.7 | 10 118.4 | 3 532.2 | 96 594.3 | 4 406.9 | 106 712.7 |
| Mangistau | 793.9 | 23 293.9 | 5 630.4 | 191 755.8 | 6 424.3 | 215 049.7 |
| Pavlodar | 1 038.2 | 12 558.9 | 5 488.4 | 128 099.9 | 6 526.6 | 140 658.7 |
| North Kazakhstan | 429.7 | 6 336.9 | 3 049.0 | 63 431.9 | 3 478.7 | 69 768.8 |
| South Kazakhstan | 482.4 | 17 245.5 | 6 451.2 | 167 684.1 | 6 933.6 | 184 929.6 |
| Almaty (city) | 10 208.5 | 108 834.2 | 22 245.3 | 698 987.5 | 32 453.8 | 807 821.7 |
| Astana (city) | 2 453.5 | 41 990.7 | 10 050.9 | 282 977.4 | 12 504.3 | 324 968.1 |
| **Total on the Republic of Kazakhstan** | **23 120.5** | **361 929.8** | **109 552.2** | **2 890 559.1** | **132 672.7** | **3 252 488.9** |

The largest share of cashless payments using payment cards is observed in Almaty (44.2% of the total number and 30.1% of the total amount of cashless payments) and Astana (10.6% and 11.6% respectively).

By the number and amount of cash withdrawal transaction the following regions are among the leaders: Almaty (20.3% and 24.2% respectively), Karaganda region (10.0% and 8.4% respectively), Astana (9, 2% and 9.8% respectively) and Eastern Kazakhstan region (8.7% and 7.4% respectively).

The most extensive payment cards servicing network is also represented in Almaty. At present the region accounts for 31.9% of the total number of business enterprises that accept payment cards for payments, 33.1% of the total number of outlets in which the equipment is installed to accept payment cards, 19.6% of the total number of ATMs, 32.5% of the total number of POS-terminals and 58.6% of the total number of imprinters. At the same time Astana accounts for: 15.5%, 14.8%, 10.0%, 13.8% and 10.7%, and the Eastern Kazakhstan region 7.1%, 6.6%, 8, 0% 6.5% 3.7%, and Karaganda region, 6.5%, 6.8%, 9.0%, 7.2% 3.4% respectively by these indicators (Table 20).

*Table 20.*

**Number of equipment for payment cards in a cut of regions on 01.01.2011**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Region (city)** | **Number of business enterprises (units)** | **Number of outlets****(units)** | **Number of ATMs (units)** | **Number of POS-terminals (units)** | **Number of imprinters (units)** |
| Akmola | 299 | 404 | 263 | 609 | 4 |
| Aktubinsk | 453 | 666 | 417 | 1 213 | 12 |
| Almaty | 138 | 207 | 303 | 523 | 9 |
| Atyrau | 512 | 774 | 443 | 1 283 | 44 |
| East Kazakhstan | 756 | 1 089 | 607 | 1 687 | 26 |
| Jambul | 251 | 430 | 272 | 644 | 6 |
| West Kazakhstan | 313 | 516 | 298 | 832 | 17 |
| Karaganda | 702 | 1 128 | 686 | 1 874 | 24 |
| Kostanai | 322 | 499 | 305 | 782 | 19 |
| Kyzylorda | 181 | 261 | 213 | 418 | 5 |
| Mangistau | 424 | 583 | 383 | 953 | 15 |
| Pavlodar | 570 | 820 | 467 | 1 276 | 17 |
| North Kazakhstan | 287 | 451 | 228 | 660 | 7 |
| South Kazakhstan | 425 | 788 | 473 | 1 142 | 13 |
| Almaty (city) | 3 422 | 5 463 | 1 490 | 8 433 | 417 |
| Astana (city) | 1 666 | 2 449 | 757 | 3 585 | 76 |
| **Total on the Republic of Kazakhstan** | **10 721** | **16 528** | **7 605** | **25 914** | **711** |

However, the ratio of cardholders to the number of devices installed is favorable in Astana, where one POS- terminal and ATM have 157 and 744 cardholders respectively (Figure 28).

*Figure 28.*

**Cardholders on one ATM and POS-terminal**



**Payment cards frauds[[15]](#footnote-15)**

In 2010, Kazakhstan banks revealed 691 illegally-held transactions amounting to 56.9 million KZT (0.0005% and 0.03% of the total amount of payments made using payment cards of Kazakhstan’s issuers in Kazakhstan and abroad, respectively), a decrease by 25.4% in number and 8.5% by amount in comparison with 2009. Of them 389 transactions in the amount of KZT 29.9 million were committed by non-cash transactions and 302 transactions amounting to KZT 27.1 million through cash withdrawals.

It should be noted that most fraudulent transactions with payment cards of Kazakhstan banks are carried out outside the Republic of Kazakhstan (73.1% of the total amount and 68.7% of the total number of fraudulent transactions), which is characterized by the abundance of frauds networks abroad, particularly in the countries of the East Asian region. Thus the most common methods of fraud using cards of Kazakhstan banks abroad were frauds by using fake payment cards. On the territory of the Republic of Kazakhstan by payment cards of Kazakhstan's issuers were conducted 26.9% and 31.3% of total volume and number of fraudulent transactions. Thus the most common methods of fraud using cards of domestic banks in Kazakhstan were the frauds using counterfeit, lost or stolen payment cards (Table 21).

*Table 21.*

**Data on methods of fraud using cards in 2010**

|  |  |  |
| --- | --- | --- |
| **Methods of fraud** | **Inside the Republic of Kazakhstan** | **Outside the Republic of Kazakhstan** |
| **Number (tr.)** | ***Share from the total number, in %***  | **Amount (thous. KZT)** | ***Share from the total amount, in %*** | **Number (tr.)** | ***Share from the total number, in %***  | **Amount (thous. KZT)** | ***Share from the total amount, in %*** |
| counterfeit payment cards | 107 | *27.1%* | 9 371.7 | *22.5%* | 288 | *72.9%* | 32 305.1 | *77.5%* |
| lost or stolen payment cards | 83 | *93.3%* | 5 144.7 | *91.9%* | 6 | *6.7%* | 452.0 | *8.1%* |
| the order by mail, to phone, Internet | 2 | *1.2%* | 291.4 | *3.3%* | 161 | *98.8%* | 8 500.3 | *96.7%* |
| another | 24 | *54.5%* | 537.0 | *61.2%* | 20 | *45.5%* | 340.8 | *38.8%* |
| **Total** | **216** | ***31.3%*** | **15 344.8** | ***26.9%*** | **475** | ***68.7%*** | **41 598.2** | ***73.1%*** |

# INTERNATIONAL MONEY TRANSFER SYSTEM

One of the alternative payment facilities is the international money transfer system which make possible prompt transfers to anywhere in the world. The world uses a lot of these systems, which agents may be financial institutions and other intermediaries, including commercial businesses. In Kazakhstan the functions of agents of international money transfers system performs only second-tier banks and JSC «KazPost». In the last few years these systems because of their convenience, reliability and speed are becoming increasingly popular among the population. Thus, the money transfer time in these systems ranges from several minutes up to one day. In this connection, the National Bank of Kazakhstan pays special attention to the development of this segment.

Collection of statistical data on international money transfer system is carried out by the National Bank since 2009. At the same time in order to gather detailed statistical information on money transfers made through the correspondent accounts of banks and international money transfer system, the National Bank approved the resolution of the Board of the National Bank of Kazakhstan as of 27.09.2010, № 78 «On introducing amendments and supplements to some resolutions of the Board of the National Bank of the Republic of Kazakhstan on the issues of presentation of information on payments and declare invalid certain resolutions of the National Bank of Kazakhstan in the preparation and submission of a report on classification of payments turnover by cashless payments and money transfers», which entered into force on 1 April 2011.

According to this resolution the banks and JSC «KazPost» submit to the National Bank the information on transfers of money sent abroad and received from abroad through money transfer systems and correspondent bank accounts, classified by residence, code of sectors of the economy, the payer’s and the beneficiary’s country codes (including, by country of citizenship or registration of the sender or beneficiary of the money if the bank is capable to define these data), currency codes and codes for payment.

In 2010, for sending and receiving money from the customers of banks and JSC «KazPost» could use the following money transfer systems: Western Union, MoneyGram, Faster, Golden Crown, Fast Mail, Contact, Blitz, System of the Universal Postal Union, Unistream, FOVA, Anelik, Leader, Metroexpress, Coinstar Money Transfer, Orient Express, BS-Client, Blizko, Migom, InterExpress, Xpress money.

1 209.6 thousand transactions amounting to 179.8 billion KZT ($ 1.2 billion) were sent abroad[[16]](#footnote-16) in 2010, and 730.5 thousand transactions amounting to 74.5 billion KZT($ 0.5 billion) were received from abroad through these systems (except SWIFT systems) in 2010.

The main share of the total amount of payments sent abroad accounted for Western Union, FOVA, Faster, Golden Crown, Fast Mail, Contact and BLITZ. The main share of the total amount of payments received from abroad accounted for Western Union, Faster, Migom, Golden Crown, Blitz, Unistream (Table 22).

*Table 22.*

**Information on international money transfer systems**

|  |  |  |
| --- | --- | --- |
| **International money transfer system** | **Payments sent abroad in 2010** | **Payments received from abroad in 2010** |
| **Number (tr.)** | ***Share from the total number,*** ***in %*** | **Amount (mln. KZT)** | ***Share from the total amount, in %*** | **Number (tr.)** | ***Share from the total number,*** ***in %*** | **Amount (mln. KZT)** | ***Share from the total amount, in %*** |
| Western Union | 327 477 | *27.1%* | 33 868.4 | *18.8%* | 277 677 | *38.0%* | 23 274.1 | *31.2%* |
| Faster | 250 090 | *20.7%* | 26 233.7 | *14.6%* | 71 280 | *9.8%* | 9 252.0 | *12.4%* |
| Golden Crown | 115 971 | *9.6%* | 17 857.1 | *9.9%* | 35 302 | *4.8%* | 6 137.8 | *8.2%* |
| Fast Mail | 109 448 | *9.0%* | 15 841.8 | *8.8%* | 16 543 | *2.3%* | 2 783.6 | *3.7%* |
| Contact | 104 215 | *8.6%* | 11 037.1 | *6.1%* | 41 148 | *5.6%* | 4 558.9 | *6.1%* |
| Blitz | 97 986 | *8.1%* | 10 752.7 | *6.0%* | 57 389 | *7.9%* | 6 118.8 | *8.2%* |
| System of the Universal Postal Union | 80 911 | *6.7%* | 1 571.6 | *0.9%* | 159 037 | *21.8%* | 2 874.5 | *3.9%* |
| Unistream | 68 621 | *5.7%* | 8 048.1 | *4.5%* | 32 967 | *4.5%* | 5 580.9 | *7.5%* |
| FOVA | 19 711 | *1.6%* | 44 540.6 | *24.8%* | 348 | *0.50%* | 1 224.5 | *1.6%* |
| Anelik | 16 496 | *1.4%* | 5 797.3 | *3.2%* | 13730 | *1.9%* | 3 825.6 | *5.1%* |
| Leader | 12 722 | *1.1%* | 2 295.2 | *1.3%* | 5 263 | *0.7%* | 779.9 | *1.0%* |
| MoneyGram | 4 008 | *0.3%* | 648.8 | *0.4%* | 10 543 | *1.4%* | 1 054.4 | *1.4%* |
| Metroexpress | 904 | *0.1%* | 467.3 | *0.3%* | 174 | *0.02%* | 56.9 | *0.1%* |
| Coinstar Money Transfer | 474 | *0.04%* | 177.0 | *0.1%* | 1 306 | *0.2%* | 156.3 | *0.2%* |
| Orient Express | 394 | *0.03%* | 662.1 | *0.4%* | - | *-* | - | *-* |
| BS-Client | 117 | *0.01%* | 9.9 | *0.01%* | 1 | *0.0001%* | 0.1 | *0.0001%* |
| Blizko | 44 | *0.004%* | 3.4 | *0.002%* | 1216 | *0.2%* | 96.3 | *0.1%* |
| Migom | - | *-* | - | *-* | 6581 | *0.9%* | 6 736.1 | *9.0%* |
| InterExpress | - | *-* | - | *-* | 22 | *0.003%* | 1.2 | *0.002%* |
| Xpress money | - | *-* | - | *-* | 16 | *0.002%* | 4.5 | *0.01%* |
| **Total** | **1 209 589** | ***100.0%*** | **179 812.2** | ***100.0%*** | **730 543** | ***100.0%*** | **74 516.5** | ***100.0%*** |

Herewith the principal amount of remittances through international money transfer system is conducted by population of Kazakhstan in U.S. dollars.

*Table 23.*

**Information on use of international money transfer systems by currencies**

|  |  |  |
| --- | --- | --- |
| **Currency of remittances** | **Payments sent abroad in 2010** | **Payments received from abroad in 2010** |
| **Number (tr.)** | ***Share from the total number,*** ***in %*** | **Amount (mln. KZT)** | ***Share from the total amount, in %*** | **Number (tr.)** | ***Share from the total number,*** ***in %*** | **Amount (mln. KZT)** | ***Share from the total amount, in %*** |
| U.S. dollars | 829 859 | *68,6%* | 150 722,1 | *83,8%* | 375 595 | *51,4%* | 53 143,4 | *71,3%* |
| Russian rouble | 345 513 | *28,6%* | 25 807,5 | *14,4%* | 320 842 | *43,9%* | 18 818,0 | *25,3%* |
| Euro | 9 318 | *0,8%* | 2 121,8 | *1,2%* | 8 401 | *1,1%* | 928,7 | *1,2%* |
| Tenge | 24 899 | *2,1%* | 1 160,8 | *0,6%* | 25 704 | *3,5%* | 1 626,3 | *2,2%* |
| Yuan | - | *-* | - | *-* | 1 | 0,0001% | 0,02  | 0,00003% |
| **Total** | **1 209 589** | ***100,0%*** | **179 812,2** | ***100,0%*** | **730 543** | ***100,0%*** | **74 516,5** | ***100,0%*** |

If classifying by countries the largest share of total remittances sent by international money transfer systems is attributable to China and Russia. The main interest on the amount of payment systems through the use of international money transfers was obtained from the main trading partner - Russia (Table 24).

*Table 24.*

**Information on use of international money transfer systems by countries**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **The country, where remittance is sent** | **Number (tr.)** | ***Share from the total number, in %*** | **Amount (mln. KZT)** | ***Share from the total amount, in %*** |
| Russian Federation | 500 477 | *41.4%* |  50 763.6  | *28.2%* |
| China | 36 374 | *3.0%* |  50 424.8  | *28.0%* |
| Uzbekistan  | 302 061 | *25.0%* |  29 385.3  | *16.3%* |
| Kyrgyzstan | 132 710 | *11.0%* |  13 092.5  | *7.3%* |
| Azerbaijan | 35 114 | *2.9%* |  5 132.6  | *2.9%* |
| Ukraine | 41 103 | *3.4%* |  4 260.8  | *2.4%* |
| Turkey | 20 193 | *1.7%* |  3 843.3  | *2.1%* |
| Tajikistan | 29 790 | *2.5%* |  2 993.9  | *1.7%* |
| Armenia | 14 530 | *1.2%* |  2 772.7  | *1.5%* |
| Georgia | 13 010 | *1.1%* |  2 130.0  | *1.2%* |
| The United Arab Emirates | 7 267 | *0.6%* |  1 965.3  | *1.1%* |
| Hong Kong | 464 | *0.04%* |  1 956.9  | *1.1%* |
| Germany | 12 041 | *1.0%* |  1 745.4  | *1.0%* |
| Switzerland | 1 393 | *0.1%* |  1 377.1  | *0.8%* |
| United States | 8 619 | *0.7%* |  979.8  | *0.5%* |
| Other | 54 443 | *4.5%* |  6 988.2  | *3.9%* |
| **Total** | **1 209 589** | ***100.0%*** |  **179 812.2**  | ***100.0%*** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **The country, remittance whence is received** | **Number (tr.)** | ***Share from the total number, in %*** | **Amount (mln. KZT)** | ***Share from the total amount, in %*** |
| Russian Federation | 479 636 | *65.7%* |  41 518.4  | *55.7%* |
| Ukraine | 19 006 | *2.6%* |  7 464.2  | *10.0%* |
| Uzbekistan | 46 929 | *6.4%* |  5 809.5  | *7.8%* |
| Germany | 46 386 | *6.3%* |  2 881.2  | *3.9%* |
| China | 6 127 | *0.8%* |  1 997.6  | *2.7%* |
| Turkey | 15 818 | *2.2%* |  1 995.9  | *2.7%* |
| The United States | 18 303 | *2.5%* |  1 389.7  | *1.9%* |
| Kyrgyzstan | 11 712 | *1.6%* |  1 316.8  | *1.8%* |
| Tajikistan | 4 879 | *0.7%* |  945.0  | *1.3%* |
| The United Arab Emirates | 7 585 | *1.0%* |  901.9  | *1.2%* |
| Azerbaijan | 5 928 | *0.8%* |  648.4  | *0.9%* |
| Singapore | 260 | *0.04%* |  557.9  | *0.7%* |
| Soedinenoe Kingdom | 3 680 | *0.5%* |  411.8  | *0.6%* |
| Italy | 4 071 | *0.6%* |  375.1  | *0.5%* |
| Georgia | 2 248 | *0.3%* |  363.6  | *0.5%* |
| Other | 57 975 | *7.9%* |  5 939.5  | *8.0%* |
| **Total** | **730 543** | ***100.0%*** |  **74 516.5**  | ***100.0%*** |

# CROSS-BORDER PAYMENTS OF TRADE TURNOVERS

In 2010, payments for goods and services from Kazakhstan sent abroad through the correspondent accounts of commercial banks and JSC «KazPost» JSC, amounted to 4 067.3 billion ($ 27.6 billion) an increase in comparison with 2009 up to 7.1%. The volume of payments received by Kazakhstan for goods and services made in 2010 amounted to 4025.9 billion ($ 27.3 billion), a raise compared to 2009 up to 20.6%.

The main trading partners (Table 25) of the Republic of Kazakhstan are the Russian Federation (the share of payments sent in 2010 - 34.1%, in 2009 - 33.8%), USA (2010 - 8.9%, 2009 - 15.1%), China (2010 - 6.4%, 2009 - 8.4%) and Britain (2010 - 7.3%, 2009 - 5.6%). The largest share of payments for goods and services in Kazakhstan has been received from Switzerland (2010 - 25.1%, 2009 - 29.6%) and U.S.A. (2010 - 20.6%, 2009 - 18 8%).

*Table 25*

**Payment flows on goods and services by countries**

*billion KZT*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **The country, where payment is sent** | **2009** | ***Share from the total amount of payments, in %*** | **2010** | ***Share from the total amount of payments, in %*** | **Change, in %** |
| Russian Federation | 1 283.3 | *33.8%* | 1 388.4 | *34.1%* | 8.2% |
| USA | 573.1 | *15.1%* | 363.4 | *8.9%* | -36.6% |
| China | 317.8 | *8.4%* | 260.4 | *6.4%* | -18.1% |
| Great Britain | 214.4 | *5.6%* | 297.0 | *7.3%* | 38.6% |
| Germany | 204.0 | *5.4%* | 258.2 | *6.3%* | 26.6% |
| United Arab Emirates | 112.9 | *3.0%* | 132.4 | *3.3%* | 17.3% |
| Ukraine | 89.2 | *2.4%* | 144.9 | *3.6%* | 62.3% |
| Switzerland | 85.6 | *2.3%* | 108.5 | *2.7%* | 26.7% |
| Turkey | 77.2 | *2.0%* | 85.9 | *2.1%* | 11.2% |
| Latvia | 73.7 | *1.9%* | 89.0 | *2.2%* | 20.7% |
| Netherlands | 70.2 | *1.8%* | 97.9 | *2.4%* | 39.5% |
| Other | 695.5 | *18.3%* | 841.2 | *20.7%* | 21.0% |
| **Total** | **3 796.9** | ***100.0%*** | **4 067.3** | ***100.0%*** | **7.1%** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **The country, payment whence is received** | **2009** | ***Share from the total amount of payments, in %*** | **2010** | ***Share from the total amount of payments, in %*** | **Change, in %** |
| Switzerland | 986.9 | *29.6%* | 1 010.3 | *25.1%* | 2.4% |
| USA | 628.8 | *18.8%* | 828.1 | *20.6%* | 31.7% |
| Russian Federation | 397.3 | *11.9%* | 486.1 | *12.1%* | 22.4% |
| Germany | 307.2 | *9.2%* | 346.6 | *8.6%* | 12.8% |
| Great Britain | 297.5 | *8.9%* | 427.1 | *10.6%* | 43.6% |
| Netherlands | 244.1 | *7.3%* | 332.2 | *8.3%* | 36.1% |
| France | 20.8 | *0.6%* | 151.3 | *3.8%* | 626.9% |
| Latvia | 93.4 | *2.8%* | 95.2 | *2.4%* | 1.9% |
| Kyrgyzstan | 53.5 | *1.6%* | 42.4 | *1.1%* | -20.8% |
| China | 20.2 | *0.6%* | 36.1 | *0.9%* | 79.1% |
| United Arab Emirates | 27.7 | *0.8%* | 33.1 | *0.8%* | 19.5% |
| Other | 261.4 | *7.8%* | 237.3 | *5.9%* | -9.2% |
| **Total** | **3 338.8** | ***100.0%*** | **4 025.9** | ***100.0%*** | **20.6%** |

The main currency of payments is the U.S. dollar, which share in 2010 in the payments sent from Kazakhstan reached 60.5%, and payments received - 90.7% (Table 26). Significant share in payments sent has the Russian ruble (21.5%), which is largely used in the settlements with the main trading partner - the Russian Federation.

*Table 26.*

**Information on flows of payments for goods and services by currencies in 2010**

|  |  |  |
| --- | --- | --- |
| **Country**  | **Amount of payments sent from Kazakhstan** | **Amount of payments received to Kazakhstan** |
| **Amount (bln. KZT)** | ***Share from the total amount, in %*** | **Amount (bln. KZT)** | ***Share from the total amount, in %*** |
| U.S. dollar | 2 462.6 | *60.5%* | 3 653.3 | *90.7%* |
| Russian rouble | 874.9 | *21.5%* | 211.8 | *5.3%* |
| Euro | 662.9 | *16.3%* | 95.3 | *2.4%* |
| Pound sterling | 28.6 | *0.7%* | 23.3 | *0.6%* |
| The Swiss franc | 14.5 | *0.4%* | 4.6 | *0.1%* |
| Tenge | 13.6 | *0.3%* | 32.1 | *0.8%* |
| Yen | 4.3 | *0.1%* | 4.9 | *0.1%* |
| Other | 5.8 | *0.1%* | 0.5 | *0.01%* |
| **Total** | **4 067.3** | ***100.0%*** | **4 025.9** | ***100.0%*** |

The major share of payments sent from Kazakhstan abroad accounted for payments for goods (raw materials, machinery and equipment and so on, except real estate) - 75.4% of the total volume of payments, 5.7% are payments for transportation services, 12.1% are payments for business, professional and technical services (Table 27). The largest share of payments received in Kazakhstan, accounted for payments for goods (75.9%) transportation (6.5%), miscellaneous business, professional and technical services (6.0%), other payments for goods (5.5%).

*Table 27.*

**Information on flows of payments for goods and services by type of payment in 2010**

|  |  |  |
| --- | --- | --- |
| **Types of payments** | **Amount of payments sent from Kazakhstan** | **Amount of payments received to Kazakhstan** |
| **Amount** **(bln. KZT)** | ***Share from the total amount, in %*** | **Amount** **(bln. KZT)** | ***Share from the total amount, in %*** |
|
| Payments for goods, except real estate | 3 066,9 | *75,4%* | 3 054,2 | *75,9%* |
| Payments for real estate | 15,0 | *0,4%* | 0,2 | *0,01%* |
| Purchase of non-manufactured nonfinancial assets | 2,5 | *0,1%* | 0,03 | *0,001%* |
| Payments for repair of the goods | 4,0 | *0,1%* | 0,7 | *0,02%* |
| Other payments for goods, including refund of money | 57,1 | *1,4%* | 220,7 | *5,5%* |
| Payments for transportation services | 232,6 | *5,7%* | 260,6 | *6,5%* |
| Contruction services | 7,2 | *0,2%* | 7,6 | *0,2%* |
| Insurance services | 59,0 | *1,4%* | 6,1 | *0,2%* |
| Financial services | 37,9 | *0,9%* | 112,2 | *2,8%* |
| Other business services | 492,1 | *12,1%* | 242,3 | *6,0%* |
| Services to individuals and cultural and leisure services | 29,1 | *0,7%* | 0,6 | *0,01%* |
| Travelling services | 32,0 | *0,8%* | 0,7 | *0,02%* |
| Other service charges, including refund of money | 32,0 | *0,8%* | 119,9 | *3,0%* |
| **Total** | **4 067,3** | ***100,00%*** | **4 025,9** | ***100,0%*** |

**Trade turnover between the countries - participants of CIS**

In 2010, the volume of payments **sent from Kazakhstan to the countries - participants of CIS** **for goods and services[[17]](#footnote-17)** amounted to 1 662.6 billion ($ 11.3 billion). The volume of payments **received in Kazakhstan** from the countries - participants of CIS for goods and services amounted to 592.8 billion KZT ($ 4.0 billion).

Major trading partner of the Republic of Kazakhstan is the Russian Federation. Thus, the volume of payments to this country for goods and services amounted to 83.5% of the total payments with all CIS countries. The volume of payments from Russia received for goods and services amounted to 82.0% (Table 28).

*Table 28.*

**Information about the structure of trade turnover related settlements between the countries - participants of CIS in 2010 by countries**

|  |  |  |
| --- | --- | --- |
| **Country**  | **Amount of payments sent to banks of participants of CIS** | **Amount of payments received from banks of participants of CIS** |
| **Amount** **(bln. KZT)** | ***Share from the total amount, in %*** | **Amount** **(bln. KZT)** | ***Share from the total amount, in %*** |
| Russian Federation |  1 388.4  | *83.5%* |  486.1  | *82.0%* |
| Azerbaijan |  4.7  | *0.3%* |  3.5  | *0.6%* |
| Armenia |  0.4  | *0.02%* |  0.1  | *0.02%* |
| Belarus |  48.0  | *2.9%* |  6.8  | *1.1%* |
| Kirghizia |  38.7  | *2.3%* |  42.4  | *7.2%* |
| Moldova |  4.5  | *0.3%* |  1.0  | *0.2%* |
| Tajikistan |  2.3  | *0.1%* |  27.0  | *4.5%* |
| Turkmenistan |  0.6  | *0.04%* |  0.9  | *0.2%* |
| Ukraine |  144.9  | *8.7%* |  9.7  | *1.6%* |
| Uzbekistan |  30.1  | *1.8%* |  15.3  | *2.6%* |
| **Total** |  **1 662.6**  | ***100.0%*** |  **592.8**  | ***100.0%*** |

The extent of use of national currencies in trade payments between the CIS countries is minor. Principal amount of settlements of bilateral trade with the CIS countries is made in U.S. dollars and Russian rubles (Table 29).

*Table 29.*

**Information about the structure of settlements related to trade turnover between the countries - participants of CIS in 2010 by currency**

|  |  |  |
| --- | --- | --- |
| **Country**  | **Amount of payments sent from Kazakhstan** | **Amount of payments received to Kazakhstan** |
| **Amount** **(bln. KZT)** | ***Share from the total amount, in %*** | **Amount** **(bln. KZT)** | ***Share from the total amount, in %*** |
| U.S. dollar |  708.6  | *42.6%* |  355.3  | *59.9%* |
| Russian rouble |  866.0  | *52.1%* |  211.8  | *35.7%* |
| Euro |  73.6  | *4.4%* |  7.8  | *1.3%* |
| The Swiss franc |  7.0  | *0.4%* |  0.9  | *0.2%* |
| Tenge |  4.7  | *0.3%* |  16.5  | *2.8%* |
| Catfish |  1.2  | *0.1%* |  0.4  | *0.1%* |
| Grivna |  0.6  | *0.04%* |  0.00003  | *0.000005%* |
| Other  |  0.7  | *0.04%* |  0.03  | *0.01%* |
| **Общий итог** |  **1 662.6**  | *100.0%* |  **592.8**  | *100.0%* |

In addition, if a high proportion of U.S. dollars is observed in settlements mainly with all countries (the share of total payments sent to Russia - 34.5%, Azerbaijan - 85.8%, Armenia - 90.0%, Belarus – 66.0%, Kyrgyzstan - 89.9%, Moldova - 74.6%, Tajikistan - 98.7%, Turkmenistan - 90,5%, Ukraine - 85.0%, Uzbekistan - 98.3%, a similar situation is for payments received), the high proportion of use of the Russian ruble is observed on payments sent to Russia (61.6% of the total amount of payments sent to the specified country) and Belarus (15.8%, respectively).

The major share of payments sent from Kazakhstan to the CIS countries accounts for payments for goods (raw materials, machinery, equipment and so on, except real estate) which is 84.2% of the total amount of payments (Table 30). The largest share of payments received in Kazakhstan, are payments for goods (54.6%) and payments for transportation services (24.3%).

*Table 30.*

**Information about the structure of settlements related to trade turnover between member countries of the Customs Union in 2010 by types of payments**

|  |  |  |
| --- | --- | --- |
| **Types of payments** | **Amount of payments sent from Kazakhstan** | **Amount of payments received to Kazakhstan** |
| **Amount** **(bln. KZT)** | ***Share from the total amount, in %*** | **Amount** **(bln. KZT)** | ***Share from the total amount, in %*** |
|
| Payments for goods, except real estate | 1 400.4 | *84.2%* | 323.6 | *54.6%* |
| Payments for real estate | 1.6 | *0.1%* | 0.001 | *0.005%* |
| Purchase of non-manufactured nonfinancial assets | 0.4 | *0.03%* | 0.03 | *0.01%* |
| Payments for repair of the goods | 2.7 | *0.2%* | 0.1 | *0.01%* |
| Other payments for goods, including refund of money | 12.9 | *0.8%* | 26.2 | *4.4%* |
| Payments for transportation services | 107.5 | *6.5%* | 144.2 | *24.3%* |
| Contruction services | 2.9 | *0.2%* | 3.9 | *0.7%* |
| Insurance services | 8.4 | *0.5%* | 0.4 | *0.1%* |
| Financial services | 1.7 | *0.1%* | 29.9 | *5.0%* |
| Other business services | 111.5 | *6.7%* | 26.7 | *4.5%* |
| Services to individuals and cultural and leisure services | 2.9 | *0.2%* | 0.1 | *0.01%* |
| Travelling services | 2.0 | *0.1%* | 0.2 | *0.03%* |
| Other service charges, including refund of money | 7.7 | *0.5%* | 37.5 | *6.3%* |
| **Total** | **1 662.6** | ***100.00%*** | **592.8** | ***100.0%*** |

**The trade turnover between the members of the Customs Union**

In 2010, the volume of payments **sent from Kazakhstan to the member countries of the Customs Union for goods and services** amounted to 1 436.5 billion KZT ($ 9.7 billion), an increase compared to 2009 by 9.7 %. The volume of payments **received in Kazakhstan** from the member countries of the Customs Union for goods and services amounted to 492.9 billion KZT ($ 3.3 billion), an increase compared to 2009 at 21.6%.

The main volume of settlements on mutual trade with the member countries of the CU accounts for Russian rubles (60.1% of the total amount of payments sent, and 42.4% of the total payments received) and U.S. dollars (35.5% and 54.4% respectively). The greatest share of payments sent from Kazakhstan to the CU member countries accounts for payments for goods - 83.9% of the total amount of payments and other business, professional and technical services - 7.1%, respectively. The greatest share of payments received in Kazakhstan, is payment for goods (53.7%) and payments for transportation services (27.3%).

# CONCLUSION

The role of the payment system is to provide timely and efficient transfer of funds between the consumer and the supplier of goods and services, which contributes to due execution of obligations undertaken as a result of business and financial activities. In this regard, the effectiveness of the functioning of financial markets and the banking sector of the economy largely depends on the country's current payment system.

Reformation of the economy and banking system caused the necessity to establish payment systems with distinguished reliability, safety and efficiency, allowing effect payments quickly and with minimal risk. In this connection, since proclamation of sovereignty of the Republic of Kazakhstan, the National Bank initiated reformation of the payment systems.

For the years of independence the National Bank has conducted considerable work on development and improvement of payment systems. As a result of this work the following national payment systems - Interbank money transfer system (ISMT) and Interbank Clearing System operated by the RSE "Kazakhstan Interbank Settlement Centre of the National Bank of Kazakhstan" currently operate in the Republic of Kazakhstan.

Notable is the fact that the work of the National Bank on reformation of the payment systems and its compliance with international standards is highly assessed by the experts of international financial institutions. For example, experts of international financial institutions (International Monetary Fund, World Bank) have repeatedly noted the high efficiency and reliability of payment systems of Kazakhstan, providing timely and secure execution of payments and money transfers.

In general, the measures taken by the National Bank to develop the payment system are aimed primarily at improving operational efficiency, reliability, speed and timeliness of payment transactions while reducing or limiting financial risks, as well as create a favorable climate for existing and introduction of new non-cash payment instruments.

As part of the task on ensuring the reliability and safety of payment systems the National Bank of Kazakhstan permanently conduct works to improve the regulations regarding the separate issues of payments and money transfers, supervise the functioning of payment systems.

The National Bank will continue to implement policies to further improve and develop payment systems of Kazakhstan under the latest developments in scientific and technological progress. Herewith the works to ensure efficient and reliable operation of payment systems, promotion of innovative retail payment instruments and electronic banking will be continuously conducted.

1. The number of users according to the site of KISC reached 50 user + KISC. [↑](#footnote-ref-1)
2. Rules of money transfer in the interbank money transfer system approved by the Resolution of the Board of the National Bank of Kazakhstan on November 21, 1998 № 242. [↑](#footnote-ref-2)
3. Instruction on the requirements for institutional arrangements, and software and hardware, providing access to banks and institutions performing certain types of banking transactions, approved by the Resolution of the Board of the National Bank of Kazakhstan on November 28, 2008 № 95. [↑](#footnote-ref-3)
4. The Interstate Bank and the Eurasian Development Bank is included in group «Other banks». [↑](#footnote-ref-4)
5. Liquidity risk is the risk of the payer associated with the possibility of failure to perform its obligations under the money transfer. [↑](#footnote-ref-5)
6. Systemic risk is the risk when default by one user of the payment system to transfer money cause failure to meet their obligations by other (one or more) users of the payment system. [↑](#footnote-ref-6)
7. MTR = ΣD / Lс,

where: MTR – money turnover ratio in the ISMT during the transaction day; ΣD – amount of debit turnover across the ISMT (total amount of the users’ debit turnovers during the transaction day); Lс – current liquidity of ISMT (an amount of the users’ opening balances of money in the ISMT at the beginning of the transaction day, taking into account money received in /withdrawn from the ISMT during the transaction day). [↑](#footnote-ref-7)
8. Lс

 LR = -----------,

 ΣD + ΣU

where: LR – liquidity ratio of the ISMT during the transaction day; Lс – current liquidity of interbank system (an amount of the users’ opening balances of money in the ISMT at the beginning of the transaction day, taking into account money received in /withdrawn from the ISMT during the transaction day); ΣD – amount of debit turnover across the ISMT (total amount of the users’ debit turnovers during the transaction day); ΣН – amount of unfulfilled payments cancelled by the ISMT at the end of the transaction day by reason of liquidity insufficiency. [↑](#footnote-ref-8)
9. The Ratio of uninterrupted operation (performance) of payment systems for the year is calculated as the ratio of actual work time (the time period from the opening of the transaction day before closing the transaction day of the payment system with the exception of the period when the payment system has been ceased) to the total time of operation of the payment system (time period from the opening of the transaction day prior to closing the transaction day of the payment system). [↑](#footnote-ref-9)
10. The average amount of net debit positions of users corresponds to the average daily amounts of turnover amounts of users in the ISMT, since the settlement of net positions of users of clearing is carried out at the expense of existing users in the ISMT. [↑](#footnote-ref-10)
11. Limit use ratio is calculated by dividing the payments made through the direct correspondent accounts by the amount of the fixed limit on the amount of payments through the direct correspondent accounts for banks and nonbank institutions, which payments were effected through correspondent accounts. [↑](#footnote-ref-11)
12. The payment documents on effected intrabank and interbank payments of customer and payments on the banks own operations and JCS «KazPost» are taken into account, excluding SCPP, the Treasury Committee of the Ministry of Finance, National Bank of Kazakhstan, Bank-Custodian of the State Accumulation Pension Fund, JSC «Central Securities Depository», JSC «Kazakhstan Stock Exchange», the Interstate Bank, Eurasian Development Bank, JSC «Kazakhstan Mortgage Company» and the KISC Clearing House. [↑](#footnote-ref-12)
13. Data don’t include payment cards which have been issued by banks of RK, but extended by foreign banks. [↑](#footnote-ref-13)
14. Data include payment cards of international payment systems: American Express International, Diners Club International, Visa International and Europay International, that are distributed by commercial banks of Kazakhstan. [↑](#footnote-ref-14)
15. Information on fraudulent transactions is submitted by banks on a quarterly basis. [↑](#footnote-ref-15)
16. Information is presented translated to tenge under the market average exchange rate at the time of the transaction. [↑](#footnote-ref-16)
17. Information on turnover with Georgia accounted for the period from January to August 2009. [↑](#footnote-ref-17)