ЕВРАЗИЙСКАЯ ГРУППА
по противодействию легализации преступных доходов
и финансированию терроризма

EURASIAN GROUP
on combating money laundering
and financing of terrorism

THE THIRD FOLLOW-UP REPORT OF THE REPUBLIC OF KAZAKHSTAN

THE FIRST MUTUAL EVALUATION OF THE REPUBLIC OF KAZAKHSTAN

The third Follow-up Report on the Implementation of the EAG Mutual Evaluation Recommendation

I. INTRODUCTION

1. Following review and consideration of the second follow-up report of Kazakhstan in May 2014, the Plenary Meeting decided that in order to be removed from the regular follow-up process Kazakhstan should submit the third (detailed) follow-up report on all Recommendations rated Partially Compliant and Non-Compliant to the 23rd EAG Plenary Meeting in November 2015.
2. The purpose of this document is to present the third detailed follow-up report of the Republic of Kazakhstan for removing it from the EAG follow-up process, i.e. for placing Kazakhstan from the regular into the reduced follow-up (submission of updated information every three years).
3. This report is prepared by the expert team consisting of the representatives of the EAG member countries and the EAG Secretariat: **Galina TIVINSKAYA** (legal expert) and **Svetlana BOGDANOVA** (financial expert). The experts reviewed and analyzed all materials (laws, regulations, resolution and other documents) provided by the Republic of Kazakhstan.
4. The dates of adoption of the mutual evaluation report (MER) and the follow-up reports (FR) of the Republic of Kazakhstan:
   - The mutual evaluation report (MER) of Kazakhstan was adopted by the 14th EAG Plenary Meeting on June 16, 2011;
   - The first follow-up report of Kazakhstan[1] was adopted by the 18th EAG Plenary Meeting in May 2013;
   - The second follow-up report of Kazakhstan[2] was adopted by the 20th EAG Plenary Meeting in May 2014.
5. The third follow-up report of Kazakhstan is the progress report that describes the measures taken by the country since adoption of the mutual evaluation report in June 2011 through August 2015 for eliminating deficiencies in implementation of all Core and Key Recommendations on which Kazakhstan was rated Partially Compliant or Non-Compliant. According to the EAG Mutual Evaluation Procedures *"when deciding whether a country should be removed from the follow-up process, the Plenary should be satisfied that the country has taken all necessary steps to become Compliant (C) or Largely Compliant (LC) with the Core and Key Recommendations"*.
6. Materials submitted by Kazakhstan are attached as Annexes 1 and 2, while laws[3], resolutions, by-laws and other regulations can be provided by the EAG Secretariat upon request of interested delegations.
7. Statistics for the reporting period (2012, 2013 and 2014) is attached as Annex 3 hereto.

[1] FR (2013) 3 rev.2
[2] FR (2014) 4 rev.2
[3] Annex 4 – the current version of the RK Law on Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorism

MER Conclusions:

8. Following the mutual evaluation, the Republic of Kazakhstan was rated partially compliant and non-compliant with thirty four Recommendations as indicated below.

9. As for the Core and Key Recommendations, the Republic of Kazakhstan was rated partially compliant (PC) with Recommendation 1 (ML Offence), Recommendation 23 (Regulation, Supervision and Monitoring), Recommendation 35 (Conventions), Special Recommendation II (Criminalization of Terrorist Financing) and Special Recommendation IV (Suspicious Transaction Reporting) and was rated non-compliant (NC) with Recommendation 5 (Customer Due Diligence), Recommendation 13 (Suspicious Transaction Reporting), Special Recommendation I (Implementation of UN Instruments) and Special Recommendation III (Freezing and Confiscation of Terrorist Assets).

10.

Partially compliant (PC)	Non-compliant (NC)
Core Recommendations	
R.1 (ML offence) SP.II (Criminalize terrorist financing) SP.IV (Suspicious transaction reporting)	R.5 (Customer due diligence) P.13 (Suspicious transaction reporting)
Key Recommendations	
R.23 (Regulation, supervision and monitoring) R.35 (Conventions)	SP.I (Implement UN instruments) SP.III (Freeze and confiscate terrorist assets)
Other Recommendations	
R.2 (ML offence – mental element and corporate liability) R.6 (Politically exposed persons) R.7 (Correspondent banking) R.15 (Internal controls, compliance & audit) R.18 (Shell banks) R.30 (Resources, integrity and training) R.31 (National co-operation) R.38 (MLA on confiscation and freezing) R.39 (Extradition) SP.VII (Wire transfer rules) SP.IX (Cross Border Declaration & Disclosure)	R.8 (New technologies & non face-to-face business) R.11 (Unusual transactions) R.12 (DNFBPs – R.5, 6, 8-11) R.16 (DNFBPs – R.13-15 and 21) R.17 (Sanctions) R.21 (Special attention for higher risk countries) R.22 (Foreign branches & subsidiaries) R.24 (DNFBP - regulation, supervision and monitoring) R.25 (Guidelines & feedback) R.29 (Supervisors) R.32 (Statistics) R.33 (Legal persons – beneficial owners)

	SR.VI (AML requirements for money/value transfer services) SR.VIII (Non-profit organizations)

11. Pursuant to the EAG Mutual Evaluation Procedures Kazakhstan forwarded the detailed information to the EAG Secretariat in June 2015, i.e. four months in advance of discussion of the follow-up report at the Plenary Meeting.

12. The report for removal from the follow-up process is the less detailed document compared to the mutual evaluation report. The present analysis focuses only on Recommendations rated partially compliant (PC) and non-compliant (NC), which means that only part of the country's AML/CFT system is reviewed. The analysis involved review of the country's laws, government resolutions, regulations, by-laws and other materials that allows for assessing technical compliance of the country's legislation with the FATF Recommendations. Effectiveness was assessed based on the statistics and additional information provided by Kazakhstan to the experts in course of the review.

II. OVERVIEW OF KAZAKHSTAN'S PROGRESS FROM MAY 2013 UNTIL MAY 2014.

13. This section outlines the most significant steps the Republic of Kazakhstan has taken since June 2011 toward resolving the shortcomings identified in the mutual evaluation.

General context

14. Since June 2011, the Republic of Kazakhstan has adopted and signed:

- the RK Law No.466-IV of July 21, 2011 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Electronic Money;
- the RK Law on Payments and Fund Transfers, which governs issuance of e-money and their use for making payments and carrying out other financial transactions;
- the RK Law No.524-IV of December 28, 2011 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Regulation of Banking and Financial Institutions for Minimizing Risks;
- This Law introduced amendments and modifications into the Code of Administrative Offences and into the following RK Laws:
- the RK Law No.569-IV of February 21, 2012 on Ratification of the Agreement on the Eurasian Group on Combating Money Laundering and Financing of Terrorism;
- the RK Law No.19-V of June 21, 2012 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism and Encashment;
- the The RK Law on Microfinance Organizations of 26.11.2012 (which superseded the RK Law on Microcredit Organizations of March 6, 2003);
- the RK Law No.63-V of January 8, 2013 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Terrorism which amended Article 233-3 of the RK Criminal Code and Article 14-1 of the RK Law on Combating Terrorism;
- the RK Law No.202-V of May 16, 2014 on Permits and Notices;

- the RK Presidential Decree No.819 of May 23, 2014 on Adoption of the List of Competent Authorities under the CIS AML/CFT Agreement;
- the RK Law No.206-V ZRK of 10.06.2014 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism;
- the RK Presidential Decree No.838 of June 17, 2014 on Adoption of the Agreement on Establishing the Council of the Heads of FIUs of the CIS-Member Countries;
- the RK Criminal Code No.226-V ZRK of July 3, 2014;
- the RK Criminal Procedure Code No.231-V ZRK of July 4, 2014;
- the RK Code of Administrative Offences No.235-V ZRK of July 5, 2014;
- the RK Presidential Decree No.875 of August 6, 2014 on Restructuring the RK Public Administration System;
- the RK Presidential Decree No.883 of August 6, 2014 on Further Improvement of the RK Public Administration System;
- the RK Law No.244-V ZRK of November 3, 2014 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Extremism and Terrorism;
- the RK Law No.310-V ZRK of April 24, 2014 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Gambling;
- the RK Presidential Decree No.46 of June 30, 2015 on Adoption of Protocol on Amendments to the Agreement on Establishing the Council of the Heads of FIUs of the CIS-Member Countries;
- the RK Law No. 343-V ZRK of August 2, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism.

15. A more detailed description can be found in *Annex 1*.

III. DETAILED ANALYSIS IN RESPECT TO THE CORE AND KEY RECOMMENDATIONS

Core Recommendations (R.1, R.5, R.13, SR. IV)

Recommendation 1 (ML Offence) – rated PC

Deficiency No.1 - Conversion and transfer of property, knowing that it represents the proceeds of crime, are not directly (explicitly) criminalized.

Deficiency No.2 - Concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property, knowing that such property is the proceeds of crime, are not criminalized.

16. In the reporting period, in particular in 2014-2015, several amendments and modifications were introduced into the Criminal Code Article that criminalizes legalization (laundering) of proceeds obtained through crime.

17. In particular, clause 2 of RK Law No.206-V ZRK on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan pertaining to Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorism dated June 10, 2014 (hereinafter RK Law No.206-V ZRK) introduced amendments into the RK Criminal Code which, among other things, modified paragraph 1 of Article 193 – *Legalization (laundering) of funds and (or) other assets obtained through crime*.

18. New RK Criminal Code No.226-V ZRK (hereinafter the 2014 Criminal Code) was adopted on July 3, 2014 and came into force on January 1, 2015. Money laundering is criminalized in Article 218 of the 2014 Criminal Code.

19. On August 2, 2015, in compliance with clause 2 of RK Law No.343-V ZRK (hereinafter Law No.343-V ZRK) the provisions pertaining to proceeds obtained through administrative offences were deleted from of Article 218(1) of the RK Criminal Code.

20. Pursuant to clause 2 of Law No.343-V ZRK criminal liability under Article 218(1) (*Legalization (laundering) of funds and (or) other assets obtained through crime*) of the 2014 Criminal Code is imposed for integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal offences, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime, ***where such actions are committed on a large scale***.

21. Thus, money laundering offence currently covers conversion and transfer of property, knowing that it represents the proceeds of crime, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property, knowing that such property is the proceeds of crime.

22. The definition of *"legalization (laundering) of proceeds obtained through crime"* in Article 1 of RK Law No.191-IV on Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorism dated August 29, 2009 (hereinafter the AML/CFT Law), as amended by Law No.343-V ZRK, is now more consistent with the provisions of Article 218(1) of the 2014 Criminal Code. However, criminal liability is imposed if the actions are committed ***on a large scale*** (thus, the deficiency indicated in Par.165[4] of the 2011 MER is partially eliminated, but the recommendation of Par.216[5] of the 2011 MER is not fully implemented).

23. According to subparagraph 2 of Article 3(1) of the 2014 Criminal Code *"significant damage"* and *"on a large scale"*, as these concepts apply to Article 218 of the RK Criminal Code, mean funds and (or) other property (assets) obtained through crime in amount exceeding two thousand monthly calculated indices (3,964,000 tenge as of 01.09.2015, or 14,658 US dollars).

24. The provision introduced in the 2014 Criminal Code according to which criminal liability is imposed if ML-related actions are committed on a large scale is inconsistent with the international standards. ML offence should cover any type of property (assets), irrespective of its value, which represents, directly or indirectly, proceeds of crime.

[4] *"Besides that, there is inconsistency between the definition of ML in Article 193 of the Criminal Code and in Article 1 of the Law of the Republic of Kazakhstan on Counteracting Legalization (Laundering) of Illegal Proceeds and Financing of Terrorism (hereinafter the basic AML/CFT Law)".*

[5] *«In order to eliminate certain conflicts in the legislation it is necessary to make sure that the definitions of legalization (laundering) of criminal proceeds in the Criminal Code and in the basic AML/CFT law are consistent".*

25. The reports issued by the international experts[6] (who assessed the national legal system of Kazakhstan as it pertains to AML/CFT issues) also highlight that the new provision of the 2014 Criminal Code which imposes criminal liability for ML offences only if such actions are committed on a large scale is inconsistent with the international standards.

Deficiency No.3 - Ownership or use of property obtained by criminal means for personal benefit/advantages is not covered and criminalized.

26. Article 218(1) of the 2014 Criminal Code, as amended by clause 2 of Law No.343-V ZRK, criminalizes ownership and use of property (assets) obtained through crime, ***where such actions are committed on a large scale***.

27. See Par.22 hereof for the established threshold.

Deficiency No.4 - ML offence does not extend to property that indirectly represents the proceeds of crime.

28. Kazakhstan provided copies of some court convictions, but their analysis does not allow for concluding that ML offence extends to property (assets) that indirectly represents the proceeds of crime.

29. It is necessary to further the examine law enforcement practice after enactment of the 2014 Criminal Code, or the RK judicial authorities should summarize court rulings pertaining to ML-related cases.

Deficiency No.5 - The crime of terrorist financing is not the predicate offence for money laundering.

30. The Law of January 8, 2013 "On Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Terrorism" amended Article 233-3 of the Criminal Code and paragraph 12 of Article 1 of the Law of July 13 1999 "On Combating Terrorism".

31. Article 258 (*Financing of terrorist or extremist activities and other support of terrorism or extremism*) of the 2014 Criminal Code covers provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting a terrorist or extremist group, terrorist or extremist organization and (or) illegal armed group.

32. 29.The introduced threshold requirement means that under Article 218 of the Criminal Code terrorist financing will not be a predicate offence for money laundering, unless committed on a large scale.

Deficiency No.6 - Insider trading and market manipulation are not criminalized.

33. Market manipulation and insider trading offences were criminalized by Law No.206-V ZRK.

34. Pursuant to the 2014 Criminal Code these offences include the following criminally punishable actions:

Article 229 *– Securities market manipulation*

[6] "Anti-Corruption Reforms in Kazakhstan, Round 3, Monitoring of the Istanbul Anti-Corruption Action Plan", Section II "Criminalization of Corruption", pp. 41-43.
http://www.oecd.org/corruption/anti-bribery/Kazakhstan-Round-3-Monitoring-Report-ENG.pdf

1. Securities market manipulation, i.e. actions of the securities market entities aimed at setting and (or) fixing securities' prices at levels above or below those settled as a result of an objective balance of supply and demand, or at making it look like a security trade, where such actions have inflicted serious damage to a citizen, organization or the state, –
are punishable by imposition of a fine from five hundred up to one thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by community service for the period up to three hundred hours, or by detention under arrest for the period up to ninety days, with or without prohibition to hold certain job positions or be engaged in certain types of activities for the period up to three years.

2. The same actions, if:
1) committed repeatedly;
2) inflicted exceptionally large damage;
3) committed by a group of persons upon prior conspiracy, –
are punishable by a fine in amount of up to three thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for the period up to three years, or by imprisonment for the same period, with or without forfeiture of property, and with or without prohibition to hold certain job positions or be engaged in certain types of activities for the period up to three years.

3. Actions covered by the first or the second clauses of this Article, in committed by a criminal group, –
are punishable by imprisonment for up to five years with forfeiture of property (assets).

***Article 230** – Misuse of insider information*

1. Deliberate misuse of insider information for trading in securities (derivatives), or deliberate illegal disclosure of insider information to third parties, or deliberate illegal provision of access to insider information for third parties, and also deliberately recommending to third parties to trade in securities (derivatives) based on insider information, where such actions have inflicted serious damage to a citizen, organization or the state, –
are punishable by a fine in amount of up to five hundred monthly calculated indices, or by correctional labor for restitution of the same amount, or by community service for the period up to three hundred hours, or by detention under arrest for the period up to ninety days, with or without prohibition to hold certain job positions or be engaged in certain types of activities for the period up to three year.

2. The same actions, if:
1) committed by a group of persons upon prior conspiracy;
2) inflicted exceptionally large damage;
3) committed by a person abusing his/her official position, –
are punishable by a fine in amount of up to three thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for the period up three years, or by imprisonment for the same period, with or without forfeiture of property (assets), and with or without prohibition to hold certain job positions or be engaged in certain types of activities for the period up to three years.

3. Actions covered by the first or the second paragraphs of this Article, if committed by a criminal group, –
are punishable by imprisonment for up to five years with forfeiture of property (assets.

35. Article 3 of the RK Criminal Code stipulates that, as applied to Article 229 *(Securities market manipulation)* and Article 230 *(Misuse of insider information)*, large damage is a damage which amount exceeds the monthly calculated index in ten thousand times, while exceptionally large damage or exceptionally large scale is the amount which exceeds the monthly calculated index in twenty thousand times.

Effectiveness:

Introduction of the threshold amount may lead to laundering of significant volumes of criminal proceeds through transactions which value is just below the established threshold, since no criminal liability is imposed for such actions.

Conclusions on Recommendation 1
The review and analysis show that the Republic of Kazakhstan has taken substantial measures for improving its legislation as it pertains to criminalization of money laundering and relevant predicate offences. At the same time, it is not possible to unequivocally conclude that in Kazakhstan, ML offence covers the property constituting indirect proceeds of crime. Following introduction of the threshold approach to imposition of criminal liability for ML, Kazakhstan's compliance shall be rated **NC**.

Recommendation 5 (Customer Due Diligence) – rated NC

Deficiency No.1 - The requirements set forth in the AML/CFT legislation of Kazakhstan do not apply to consumer credit unions; pawnshops; micro credit organizations; leasing companies; insurance agents; organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, *inter alia*, via electronic terminals.

Consumer credit unions

36. Entities that provide consumer credits in the Republic of Kazakhstan are incorporated as credit cooperatives, which status and activities are defined in RK Law No.400-II "On Credit Cooperatives" dated March 28, 2003. Pursuant to this Law credit cooperatives are incorporated as limited liability companies and are legal entities created by natural and (or) legal persons for satisfying the needs of their members in loans and other financial services, including banking services, by accumulating their funds and using other sources, which are not prohibited by the legislation of the Republic of Kazakhstan. A credit cooperative is a commercial entity that is engaged in certain types of banking operations without need to obtain the relevant license from the National Bank of the Republic of Kazakhstan.

37. Credit cooperatives are engaged in certain types of banking operations and, therefore, pursuant to RK Law No.191-IV on Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorism of August 28, 2009 fall into the category of entities that are subject to financial monitoring and the requirements of the AML/CFT legislation, including the CDD obligations, apply to them.

38. It is important to note that the *"Requirements for AML/CFT Internal Control Rules of entities engaged in certain types of banking operations, except for the operator of the interbank money transfer system, and microfinance organizations"* adopted in 2014 by RK Finance Minister's Order No.518 and RK National Bank Board Resolution No.236 (hereinafter the Requirements for internal control rules of entities engaged in certain types of banking operations and microfinance organizations), do not cover credit cooperatives.

Pawnshops

39. Law No.343-V ZRK introduced amendments into the AML/CFT Law, according to which pawnshops fall into the category of entities that are subject to financial monitoring. Pawnshops are obliged to undertake due diligence measures in respect to customers (their representatives) and beneficial owners. Besides that, modifications introduced into Article 328 of the RK Civil Code oblige pawnshops to notify the designated financial monitoring agency of commencement and termination of their operation and comply with the requirements set forth in the AML/CFT legislation of the Republic of Kazakhstan. However, the said amendments and modifications will be brought into effect on January 1, 2017.

Micro-credit organizations

40. Following adoption of RK Law No.56-V on Microfinance Organizations dated November 26, 2012, RK Law No.392 on Micro-Credit Organizations of March 6, 2003 ceased to be in force. The RK Law on Microfinance Organizations defines a microfinance organization as a legal commercial entity which provides micro loans and performs other types of activities and operations permitted by this Law.

41. According to the AML/CFT Law microfinance organizations fall into the category of entities that are subject to financial monitoring. The Law on Microfinance Organizations obliges these entities to provide information to the designated financial monitoring agency in compliance with the AML/CFT Law.

42. Requirements for internal control rules of entities engaged in certain types of banking operations and microfinance organizations, effective since December 15, 2014, established the requirements for arrangement for AML/CFT internal controls and for contents of the programs to be incorporated into the internal control rules, including the CDD program. Microfinance organizations were instructed to determine the level of risk posed by the existing customers, bring their internal documentation in line with the new requirements and upgrade their automated (computer-aided) information systems.

Financial leasing companies

43. According to RK Law No.78 on Financial Leasing of July 5, 2000 financial leasing activities in the Republic Kazakhstan are carried out by banks licensed by the RK National Bank and also by corporate and individual leasing entities operating in the capacity of unlicensed lessors.

44. Pursuant to the AML/CFT Law banks fall into the category of entities that are subject to financial monitoring. On August 2, 2015, the list of entities that are subject to financial monitoring contained in the AML/CFT Law was extended to include individual and corporate leasing entities operating in the capacity of unlicensed lessors. Besides that, amendments and modification introduced into the RK Law on Financial Leasing obliged legal entities (except for banks) and individual entrepreneurs to commence leasing operations in the capacity of unlicensed lessors after notifying the designated financial monitoring agency and to provide data and information to this designated agency in compliance with the AML/CFT Law. However, the said amendments and modifications will be brought into effect on January 1, 2017.

Insurance agents

45. RK Law No.126 on Insurance of December 18, 2000 defines insurance agent as a natural or legal person included in the register of insurance agents and operating in the capacity of an intermediary for concluding insurance contracts on behalf and at the direction of one or more insurance institutions under the agency agreement. Pursuant to Article 18 of the Law the powers vested in an insurance agent to carry out brokerage activities in the insurance market are determined by the agency agreement with due consideration for the requirements set forth

in the said Law and in the regulations of the designated agency. The powers of insurance agents specified in the Law do not cover the AML/CFT measures.

46. According to the AML/CFT Law insurance agents fall into the category of entities that are subject to financial monitoring and, therefore, are obliged to undertake CDD measures. Pursuant to the Requirements for operation of insurance institutions, *inter alia*, pertaining to relationships among insurance market operators and authorization of insurance agents to provide intermediary services in the insurance market, adopted by Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions, before entering into an insurance contract with an insuring party, an insurance institution is obliged to undertake the CDD measures prescribed by the AML/CFT Law. However, the said regulation does not mention any involvement of an insurance agent in the CDD measures undertaken by an insurance institution.

47. Customers of insurance institutions are identified with due consideration for the Requirements for AML/CFT internal control rules of insurance (reinsurance) institutions and insurance brokers adopted in 2014 by RK Finance Minister's Order No.523 and RK National Bank Board Resolution No.238. However, these Requirements do not mention any involvement of an insurance agent in the customer identification process.

Organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, inter alia, via electronic terminals.

48. According to amendments introduced by Law No.343-V ZRK into the AML/CFT Law third-party payment processors fall into the category of entities that are subject to financial monitoring. Information on such entities will be provided to the designated financial monitoring agency by the RK National Bank. However, the said amendments will be brought into effect on January 1, 2017.

49. Thus, the requirements of the Kazakh AML/CFT legislation currently apply to credit cooperatives and microfinance organizations but do not apply to pawnshops, financial leasing companies, insurance agents and third-party payment processors.

Deficiency No.2 - There is no direct prohibition to open anonymous accounts and accounts in fictitious names.

50. Amendments introduced by Law No.206-V ZRK into Article 6 of RK Law No.237-I on Payments and Fund Transfers of June 29, 1998 prohibit banks from opening anonymous bank accounts or bank accounts in fictitious names.

51. Pursuant to Article 2 of the RK Law "On Payments and Funds Transfers", the term "banks", for the purpose of this law, shall be understood to mean both banks and organizations engaged in certain types of banking operations. In accordance with the RK Law "On Banks and Banking Activity in the Republic of Kazakhstan", an organization engaged in certain types of banking operations shall be understood to mean a legal entity other than a bank licensed by the designated authority or entitled under applicable legislation to engage in certain types of banking operations specified in the legislative acts of the designated authorities. Therefore, a list of organizations permitted to engage in certain types of banking operations and open bank accounts includes credit cooperatives (as per the RK Law "On Credit Cooperatives") and the National Postal Service Operator (as per the RK Law "On Postal Service"). No other postal service operators may, pursuant to Article 5 of the RK Law "On Postal Service", open and maintain bank accounts.

52. Therefore, Kazakhstan has directly prohibited at the legislative level all financial institutions entitled to open bank accounts from opening anonymous bank accounts and accounts in fictitious names.

Deficiency No.3 - There is no obligation to undertake the CDD measures when carrying out transactions in amount exceeding 15,000 US dollars and also when there is a suspicion of money laundering.

53. Pursuant to subparagraph 2 of Article 5(2) of the AML/CFT Law (as amended by Law No.206-V ZRK) entities that are subject to financial monitoring shall conduct due diligence in respect to their customers (their representatives) and beneficial owners when carrying out transactions with funds and (or) other assets that are subject to financial monitoring, including suspicious transactions.

54. According to Article 4(3) of the AML/CFT Law suspicious transactions that may be or have been performed are subject to financial monitoring irrespective of their form or amount.

55. *Suspicious transaction* is defined in Article 1 of the AML/CFT Law as a customer's transaction (including attempted transaction, transaction which is underway, or completed transaction) that raises suspicion that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity, or that the transaction itself is aimed at the legalization (laundering) of proceeds obtained through crime or at financing of terrorism or other criminal activities.

56. Thus, financial institutions that are subject to financial monitoring are obliged to undertake CDD measures when there is a suspicion of money laundering, irrespective of any exemptions and threshold amounts.

57. The AML/CFT Law mentions some one-off (occasional) transactions that are subject to financial monitoring depending on types of financial transactions but without any reference to the USD/EURO 15,000 threshold amount.

58. *One-off transaction (deal)* is defined in the Requirements for the AML/CFT internal control rules of banks and the national postal service operator adopted in 2014 by Finance Minister's Order No.521 and RK National Bank Board Resolution No.235 (hereinafter the Requirements for internal control rules of banks and the national postal service operator). One-off transactions specified in this regulation are the exhaustive list of certain types of services (products) offered by a bank to customers. The threshold amounts are set for such transactions, and where the established threshold is exceeded, banks are obliged to identify a customer (his/her/its representative) and beneficial owner and to establish the intended purpose of one-off transaction. Different threshold amounts are set for different types of one-off transactions, but all of them do not exceed the USD/EURO 15,000 equivalent.

59. The definition of *one-off transaction (deal)* is also provided in the Requirements for internal control rules of entities engaged in certain types of banking operations and microfinance organizations and covers provision of services to a customer involving purchase, sale or exchange of foreign currency cash through exchange offices. Where the value of such one-off transaction (or series of transactions carried out during one calendar day) exceeds the threshold amount (which is below USD/EURO 15,000), the obliged entities shall undertake the identification measures and establish the intended purpose of one-off transaction.

60. Thus, the requirement for undertaking CDD measures by financial institution when carrying out transactions in amount exceeding 15,000 US dollars/euro is implemented only partially – it is established just for the exhaustive list of transactions (deals) and entities that are subject to financial monitoring.

Deficiency No.4 - "Beneficiary owner" is not defined for the AML/CFT system purposes.

61. The AML/CFT Law (as amended by Law No.206-V ZRK) introduced the concept of *beneficial owner*, which is defined as an individual who directly or indirectly owns over twenty five percent interest in the authorized capital or of outstanding shares (net of preferred and repurchased shares) of a corporate customer, as well as an individual who otherwise exercises control over a customer, or for whose benefit a customer carries out transactions with funds and (or) other property (assets).

Deficiency No.5 - There is no obligation to understand the ownership and control structure of the customer, or to verify the authority of someone acting as a representative of a customer.

62. According to Article 5 of the AML/CFT Law (as amended by Law No.206-V ZRK), when undertaking due diligence measures in respect to a customer (his/her/its representative) and beneficial owner, entities that are subject to financial monitoring are obliged to:

- Identify beneficial owner and record data required for his/her identification;

- Determine the ownership and control structure of a customer using its instruments of incorporation and the register of shareholders, or information obtained from other sources;

- Where the undertaken measures fail to identify the beneficial owner of a corporate customer, recognize the sole executive body or the head of the executive board of such corporate customer as the beneficial owner.

63. Entities that are subject to financial monitoring are also obliged to verify veracity of information required for identification of a customer (his/her/its representative) and beneficial owner.

64. As for a customer's representative, authority and powers of such person to act on behalf and/or in the interests of the customer shall be additionally verified in compliance with the AML/CFT Law.

65. KR Minister's Order No.56 dated February 15, 2010 (as amended on November 20, 2014) adopted of the List of documents required for undertaking CDD measures by entities that are subject to financial monitoring. The said List includes, among other things, the following documents:

− In respect to both resident and non-resident legal entities and their standalone branch offices – ID documents of beneficial owners of a legal entities (except for the situations when the beneficial owner is the founder (member) of a legal entity and has been identified based on the extract from the register of shareholders (members));
− If a representative (except for the executive officers of a legal entity) acts on behalf of a customer – ID documents and documents certifying the powers and authority of a customer's representative to carry out transactions on behalf of the customer, including powers to sign documents; and in respect to representatives of a non-resident customer – documents certifying registration with the relevant RK government authorities shall be additionally presented, unless otherwise in provided for by the international treaties (agreement).

Deficiency No.6 - There is no obligation to verify information obtained as a result of undertaken CDD measures.

66. Article 5 of the AML/CFT Law (as amended by Law No.206-V ZRK) requires the obliged entities to verify veracity of and update information on customer (his/her/its representatives) and beneficial owner. These actions are the integral part of the established range of CDD measures.

67. Veracity of information is verified by cross-checking such information against the original documents or notarized copies thereof or against data from the available sources.

68. Data are updated if there are grounds to doubt the veracity of previously obtained customer and beneficial owner information, as well as in the situations specified in the internal control rules.

69. According to the Requirements for AML/CFT internal control rules of financial institutions that are subject to financial monitoring (hereinafter the Requirements for internal control rules) frequency of updating and (or) obtaining additional information on a customer (its representative) and beneficiary owner is determined by entities that are subject to financial monitoring with due consideration for customer (group of customers) risk level and (or) for extent of exposure of entity's services (products) used by a customer to ML and FT risks. The customer/representative/beneficial owner identification program includes the procedure of verifying veracity of information on customer (his/her/its representative) and beneficial owner.

Deficiency No.7 - There is no requirement to undertake enhanced CDD measures for high-risk customers.

70. Pursuant to Article 5(4) of the AML/CFT Law (as amended by Law No.206-V ZRK) entities that are subject to financial monitoring shall conduct due diligence in respect to their customers (their representatives) and beneficial owners in compliance with the internal control rules.

71. According to the Requirements for internal control rules entities that are subject to financial monitoring are obliged to include the enhanced customer identification procedure in the customer identification program. The situations in which entities that are subject to financial monitoring shall undertake enhanced identification measures are also defined. Assignment of high risk to a customer constitutes the grounds for performing enhanced identification of such customer by an entity that is subject to financial monitoring. The aforementioned Requirements for internal control rules specify the types of customers which status and (or) activities increase ML/FT risk, and also types of products (services) offered by entities that are subject to financial monitoring and their delivery channels that are exposed to high ML/FT risk. The lists of high-risk customers and high-risk services are not exhaustive and may be extended by entities that are subject to financial monitoring.

Deficiency No.8 - There is no requirement to perform ongoing monitoring (i.e. ongoing due diligence) of transactions carried out by customers.

72. According to subparagraph 5 of Article 5(3) of the AML/CFT Law (as amended by Law No.206-V ZRK) one of the CDD measures undertaken by entities that are subject to financial monitoring in respect to their customers (their representatives) and beneficial owners is ongoing monitoring of business relationship and examination of transactions carried out by a customer through a given entity that is subject to financial monitoring, which includes obtaining and recording information on source(s) of funding of the performed transactions, where necessary.

73. Pursuant to the Requirements for internal control rules financial institutions that are subject to financial monitoring are obliged to develop the customer transaction examination and monitoring program. Under this program, measures are taken for updating and (or) obtaining additional information on customers (their representatives) and beneficial owners, including information on source(s) of funding of transactions carried out by customers, as well as for revision of customer risk levels. Extent of scrutiny of customers' transactions is determined by entities that are subject to financial monitoring based on customer (group of customers) risk level and (or) on extent of exposure of entity's services (products) used by a customer to ML and FT risks and also with due consideration for ML/FT typologies and (or) unusual and suspicious transaction indicators available to entities that are subject to financial monitoring.

Deficiency No.9 - The legislation does not specify frequency of updating information on the existing customers and applying the full range of CDD measures to such customers.

74. Pursuant to fourth item of subparagraph 6 of Article 5(3) of the AML/CFT Law information shall be updated when there are reasonable grounds to doubt veracity of previously obtained customer and beneficial owner information and also in the situations specified in the internal control rules.

75. The Requirements for internal control rules establish the general approach to determining frequency of updating customer information by entities that are subject to financial monitoring. For example, frequency of updating and (or) obtaining additional information on a customer (its representative) and beneficiary owner is determined by entities that are subject to financial monitoring with due consideration for customer (group of customers) risk level and (or) for extent of exposure of entity's services (products) used by a customer to ML and FT risks.

76. According to the Requirements for internal control rules information on a high-risk customer (its representative) and beneficial owner shall be updated at least once a year.

77. According to the Requirements for internal control rules of postal service operators engaged in provision of remittance services adopted in 2014 by RK Finance Minister's Order No.499 and RK Investment and Development Minister's Order No.182 data obtained by postal service operators as a result of customer identification shall be updated each time when information on a customer (his/her/its representative) and beneficial owner changes, but at least once a year. Information of a high-risk customer (his/her/its representative) and beneficial owner shall be updated at least twice a year.

78. Verification of whether a customer (beneficial owner) is (included) in the list of entities and individuals linked to financing of terrorism and extremism does not depend of a customer risk level and is performed by entities that are subject to financial monitoring as long as the list is updated.

Deficiency No.10 - CDD measures do not provide for identification and recording of information on customers that have been already served by a financial institution at the time of adoption of the AML/CFT Law.

79. Article 5 of the AML/CFT Law obliges entities that are subject to financial monitoring to undertake due diligence measures in respect to their customers. Pursuant to Article 7 of the AML/CFT Law the full range of CDD measures listed in Article 5 of the AML/CFT Law, including recording of data necessary for identification of a customer, shall be undertaken by entities that are subject to financial monitoring before carrying out transactions with funds and (or) other property (assets) that are subject to financial monitoring, unless these measures have been already undertaken in course of establishment of business relationship.

80. The aforementioned provision is further elaborated in the Requirements for internal control rules. This regulation provides that, when a customer carries out a transaction (deal) after establishing business relationship (for example, customer has opened account), identification of such customer (its representative) and beneficial owner is not required if they have been already identified in course of establishing business relationship, unless a suspicious transaction is identified and/or there reasonable doubts about veracity of previously obtained information and/or there is a need for updating or obtaining additional information.

81. Thus, as it follows from the current laws and regulations, identification and recording information on customers, with whom business relationships have been established without prior identification (as it was before the AML/CFT Law entered into force), is performed

before carrying out transactions with funds and (or) other property (assets) that are subject to financial monitoring.

Deficiency No.11 - Since the respective requirements were put in force just recently, the effectiveness of the system is low.

82. According to the information provided by Kazakhstan the RK National Bank conducts audits/inspection of compliance by the supervised entities that are subject to financial monitoring with the AML/CFT legislation (including availability of AML/CFT internal control rules and customer/representative/beneficial owner identification programs) and applies sanctions for the revealed breaches. In particular, the RK National Bank conducted 14 AML/CFT audits of securities market players, 16 AML/CFT audits of insurance entities, and 17 AML/CFT audits of entities engaged in certain type of banking operations in 2014-2015. The conducted audits revealed three entities engaged in certain types of banking operations that failed to develop, adopt and (or) implement the internal control rules. These entities were held administratively liable under Article 214(2) of the Code of Administrative Offences and were penalized with administrative fines. Besides that, the conducted audits revealed ten entities engaged in certain types of banking operations which internal control rules were inconsistent with the requirements set forth in AML/CFT legislation. Sanctions in form of letters of commitment and written orders to eliminate the revealed breaches were applied against those entities. In the reporting period, the audits/inspections conducted by the RK National Bank revealed no breaches of the requirements pertaining to CDD and recording and updating customer information. The RK National Bank undertook additional outreach efforts in the financial sector for raising awareness of the CDD issues. In particular, the informative letter clarifying the customer and beneficial owner identification procedure and indicating modifications in the AML/CFT legislation was disseminated to the Association of Kazakhstan's Financiers in 2014. In 2015, the approved requirements for internal control rules and clarifications regarding audits of conformity of internal documents of the supervised entities to the requirements for internal control rules were provided to the local branches of the RK National Bank.

Conclusions on Recommendation 5

The review and analysis show that the Republic of Kazakhstan has achieved substantial progress in bringing its national legislation in line with the requirements of Recommendation 5.

Given that some amendments designed to extend the scope of AML/CFT requirements to cover pawnshops, leasing companies and third-party payment processors will come into effect only on January 1, 2017, the above reporting entities were outside the country's AML/CFT system at the time of preparation and discussion of the Follow-Up Report, and therefore were not subject to CDD requirements.

Insurance agents are not obliged by the laws and/or regulations to take part in the CDD measures undertaken by insurance institutions (insurance companies). There is no obligation established by the law for all financial institutions to undertake CDD measures when carrying out any occasional (one-off) transactions in amount exceeding USD/Euro 15,000.

Taking into account the progress achieved by the Republic of Kazakhstan in implementing Recommendation 5, the current compliance rating may be upgraded to **PC**.

Recommendation 13 (Suspicious Transaction Reporting) – rated NC

Deficiency No.1 - There is no direct requirement to file STR if there is suspicion of money laundering.

83. Pursuant to Article 13(2) of the AML/CFT Law in order to prevent and disrupt ML/FT activities, upon identifying a transaction as suspicious one, entities that are subject to financial monitoring shall immediately report such transaction to the designated government agency before it is carried out. Reports on suspicious transactions that cannot be suspended shall be filed by entities that are subject to financial monitoring with the designated government agency not later than in three hours after their completion, or within twenty four hours following detection of such transactions. Report on a transaction that has been identified as suspicious one after its completion shall be filed by an entity that is subject to financial monitoring with the designated government agency not later than the next business day following the day when such transactions was identified as suspicious.

84. The aforementioned provisions of the AML/CFT Law were further elaborated in the Regulation on submission by entities that are subject to financial monitoring of data and information on transactions that are subject to financial monitoring and suspicious transaction indicators adopted by RK Government Resolution No.1484 dated November 23, 2012 (as further amended by RK Government Resolution No.1435 of December 31, 2014 and effective since July 1, 2015) (hereinafter Regulation No.1484). Regulation No.1484 contains the template of data and information that are subject to financial monitoring which shall be used for filing reports on transactions, including suspicious transaction reports, with the designated government agency. Where an entity that is subject to financial monitoring suspects that funds and (or) other property (assets) used for a transaction are proceeds of criminal activity, or that a transaction itself is aimed at the legalization (laundering) of proceeds obtained through crime or at financing of terrorism or other criminal activities, it shall file the report marked as "suspicious transaction".

85. The suspicious transactions indicators listed in Regulation No.1484 include the indicator with reference code 1036 "transactions identified as suspicious ones by executive officers of an entity subject to financial monitoring based on their skills and experience" and the indicator with reference code 7006 "customers, their activities, transactions or attempted transactions identified as suspicious ones in compliance with the internal procedures of entities that are subject to financial monitoring".

Deficiency No.2 - Shortcomings in criminalization of money laundering may affect the STR filing regime.

86. The Republic of Kazakhstan has taken measures for eliminating shortcomings in its legislation pertaining to criminalization of legalization (laundering) of proceeds obtained through crime, the results of which are reflected in the 2014 Criminal Code (*(see Par.16 of this Report)*.

Deficiency No.3 - The requirements set forth in the AML/CFT legislation of Kazakhstan do not apply to a number of institutions that fall within the financial institution category: leasing companies; consumer credit unions; pawnshops; micro credit organizations; insurance agents; organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, *inter alia*, via electronic terminals.

87. At present, among all financial institutions listed in deficiency No.3, only credit cooperatives and microfinance organizations are the entities that are subject to financial monitoring that fully comply with the current provisions of the AML/CT Law (see the conclusions on deficiency No.1 in Recommendation 5). These entities are obliged to provide the designated

financial monitoring agency with the information, including STRs, in compliance with the AML/CFT Law.

Deficiency No.4 - There is no requirement to file STR on attempted ML-related transactions.

88. The definition of "suspicious transaction" provided in Article 1 of the AML/CFT Law includes an attempted transaction.

89. According to Regulation No.1484 an "attempted suspicious transaction" constitutes the grounds for filing STR with the designated government agency. Such grounds arise where an entity that is subject to financial monitoring suspects that funds and (or) other property (assets) used in a customer's attempted transaction are proceeds of criminal activity or such attempted transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities.

Deficiency No.6 - Low effectiveness of application of Recommendation 13

90. According to the information provided by Kazakhstan the mechanism of reporting by entities that are subject to financial monitoring of their customers' transactions to the designated government authority is implemented in practice. Being reported are both suspicious transactions and threshold transactions that are subject to financial monitoring pursuant to the AML/CFT Law. Several reports on attempted suspicious transactions have been filed.

91. In 2012 – 2014, almost all financial institutions that are subject to financial monitoring filed reports with the designated government agency (except for microfinance organizations, since the requirements of the AML/CFT Law applicable to them came into effect in December 2014). The largest number of STRs is filed by banks, which is explained, on one hand, by the wide spectrum of services offered by them and, on the other hand, by the ability of banks to allocate more special AML/CFT personnel and to implement automated (computer-aided) information system designed for detecting unusual and suspicious transactions against the preset criteria.

92. Suspicious transaction reports received from banks are the main sources of information for initiation of financial investigations (in 2014, ninety seven percent of materials and information disseminated to the law enforcement agencies was based on the received suspicious transaction reports).

93. The general trend shows increase in number of reports (on both suspicious and threshold transactions) received by the FIU and also growth of number of materials disseminated by the FIU to the law enforcement agencies.

94. In practice, a number of STRs filed by the financial institutions in 2012-2014 triggered investigations and subsequent convictions. Besides that, the designated government agency received a number of reports on suspicious transactions potentially related to tax offences.

Conclusions on Recommendation 13
The review and analysis show that the Republic of Kazakhstan has achieved progress in bringing its national legislation in line with the requirements of Recommendation 13. Kazakhstan needs to further improve its AML/CFT regulatory system to ensure that the entire financial sector is covered by the ML-related suspicious transaction detection and reporting regime. Taking into account the progress achieved by the Republic of Kazakhstan in implementing Recommendation 13, the current compliance rating may be upgraded to **LC**.

Special Recommendation II (Criminalization of Terrorist Financing) – rated PC

Deficiency No.1 - The provisions of Article 233-3 of the Criminal Code of the Republic of Kazakhstan do not cover actions related to provision of funds to terrorists or terrorist organizations without intention to carry out terrorist activity or not linked to a specific terrorist act.

Deficiency No.3 - The legislation of the Republic of Kazakhstan does not permit the intention element to be inferred from objective factual circumstances, *inter alia*, as applied to the TF crime.

95. In order to remedy this deficiency, the Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Terrorism of January 8, 2013 introduced the relevant amendments into Article 233-3 of the RK Criminal Code and into Article 1(12) of the Law on Combating Terrorism of July 13, 1999.

96. The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Extremism and Terrorism of November 3, 2014 revised the definition of "financing of terrorism" provided in Article 1 of the AML/CFT Law.

97. The revised Article 258 *(Financing of terrorist or extremist activities and other support of terrorism or extremism)* of the 2014 Criminal Code (entered into force on January 1, 2015) reads as follows:

> *1. Provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting a terrorist or extremist group, terrorist or extremist organization and (or) illegal armed group, –*
> *is punishable by imprisonment for three to seven years with forfeiture of property (assets).*
> *2. The same actions committed repeatedly, or by a person abusing his/her official position, or by a person entrusted with management functions in a commercial or other organization, or by a leader of a public association, or by a group of persons upon prior conspiracy, or on a large scale, –*
> *are punishable by imprisonment for five to ten years with forfeiture of property (assets.*
> *Note: A person who finances terrorist or extremist activities or otherwise supports terrorism or extremism under threat of violence and who voluntarily reports this and actively contributes to disclosure or suppression of a crime shall be exempt from criminal liability, unless his/her actions constitute other criminal offence.*

98. New Article 256 that criminalizes advocacy of terrorism or public calls for committing terrorist acts was added to the 2014 Criminal Code.

99. Financing of terrorism is the serious offence, the term of imprisonment for which was increased from three to seven years in the 2014 Criminal Code.

100. Analysis of the provisions of Article 258 of the RK Criminal Code shows that the introduced amendments and modifications, in general, ensure compliance with essential criterion II.1(a) pertaining to provision of funds to individual terrorist and essential criterion II.1(c) pertaining to criminalization of provision of funds not linked to a specific terrorist act.

Deficiency No.2 - The legislation of the Republic of Kazakhstan does not contain provisions establishing criminal or administrative liability of legal entities for financing of terrorism.

101. According to Article 15(1) of the 2014 Criminal Code sane individuals who are sixteen years old or older by the time of committing a criminal offence are held criminally liable. According to Article 15(2) of the 2014 Criminal Code the age of criminal liability for financing of terrorism is fourteen years old.

102. The notion, mentioned in Par.235 of the 2011 MER, that according to the aforementioned fundamental principles of the law legal entities are not subject to criminal liability remains in force.

103. According to Clause 11 of the RK Code of Administrative Offences of July 5, 2014 financing of public and religious associations that are not registered in a manner prescribed by the RK legislation and/or which activities are suspended or prohibited is punishable by fine in amount of two monthly calculated indices. Legal entities are not held administratively liable for offences related to financing of terrorism.

104. Pursuant to Article 49 of the RK Civil Code a legal entity engaged in activities prohibited by the legislation is subject to liquidation.

105. Article 1 of the RK Law on Combating Terrorism stipulates that:

Terrorist organization - an organization that pursues terrorist activities or admits possibility of using terrorism in its activities, which is recognized as the terrorist one by a valid court ruling;
Terrorist activities – commission of any of the following actions:

...

Provision of financial support or other assistance to terrorists whose activities are recognized as terrorist ones under the legislation of the Republic of Kazakhstan, knowing that such actions will be used for carrying out terrorist activities or for supporting a terrorist organization

...

106. According to Article 21 of the RK Law on Combating Terrorism an organization is recognized as terrorist one and is liquidated (its activities are prohibited) by a court ruling in a manner established by the legislation.

107. Upon liquidation of an organization that is recognized as terrorist one, its property (assets) is liable to forfeiture and appropriation by the state.

108. The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Extremism and Terrorism of November 3, 2014 extended the scope of application of Chapter 36-2 *(Proceedings on request for recognizing an organization that pursues extremist or terrorist activities in Kazakhstan and (or) in other countries as extremist or terrorist one, including establishing is new name and recognition of information materials imported, published, prepared and (or) distributed in Kazakhstan as extremist or terrorist ones)* of the RK Civil Procedure Code.

Deficiency No.4 - Certain unlawful acts against fixed platforms located on the continental shelf and also related to provision of knowingly false information which threatens the safety of maritime navigation are not criminalized.

~~109.~~ Unlike Article 238 of the 1997 Criminal Code (that ceased to be in force), the provisions of Article 269(1) of the 2014 Criminal Code cover attack against fixed platforms located on the RK continental shelf and unlawful seizure thereof.[7]

110. Actions related to provision of knowingly false information are criminalized by the RK Law of 23.04.2014 and are covered by the 2014 Criminal Code. Pursuant to Article 274 of the 2014 Criminal Code criminal liability for disseminating false information is imposed if such actions threaten to disturb public order or may substantially affect the rights and legitimate interests of individuals and organizations or the legally protected interests of the society or the state, which includes, among other things, threat to the safety of maritime navigation.

Deficiency No.5 - The presented statistics indicated low efficiency of detecting FT crimes.

111. Article 4(4) of the AML/CFT Law requires entities that are subject to financial monitoring to examine customers' transactions one of the parties to which are natural persons and (or) legal entities included in the list of entities and individuals linked to financing of terrorism and extremism.

112. The list of suspicious transaction indicators was adopted by RK Government Resolution No.1484 of 23.11.2014 on Adoption of the Regulation on submission by entities that are subject to financial monitoring of data and information on transactions that are subject to financial monitoring and suspicious transaction indicators, which was further amended by RK Government Resolution No.1435 of 31.12.2014.

113. According to amendments introduced by Law No.343-V ZRK into Article 18(2) of the AML/CFT Law the RK government authorities are obliged to analyze and monitor activities of non-profit organizations for identifying FT-related risks, which will facilitate detection of FT cases.

114. In 2012-2014, the Kazakh FIU received a total of 14,749 FT-related suspicious transaction reports, and the number of received reports grew every year.

115. At the same time, the law enforcement agencies initiated no FT-related investigations based on materials disseminated by the FIU in 2012-2014 (see Table 4). Besides that, the number of FT-related offences prosecuted in courts decreased to two cases in 2014, which may be the indicator that FT-related cases are dismissed before trial.

116. The statistics presented above may indicate a formalistic (bureaucratic) approach to identification of FT indicators.

Conclusions on Special Recommendation II
The FT-related Article of the Criminal Code was revised, and unlawful acts against fixed platforms located on the continental shelf and also related to provision of knowingly false information which threatens the safety of maritime navigation were criminalized in compliance with the International Convention for the Suppression of the Financing of Terrorism. At the same time: • The legislation of the Republic of Kazakhstan does not permit the intention element to be inferred from objective factual circumstances, *inter alia*, as applied to the FT crime; • The legislation of the Republic of Kazakhstan does not contain provisions that establish criminal or administrative liability of legal entities for financing of terrorism.

[7] *"Attack against buildings, structures (including fixed platforms located on the RK continental shelf), communications and other infrastructure facilities as well as unlawful seizure thereof is punishable by detention under arrest for the period from three to seven years, or by imprisonment for the same period"*.

In general, the introduced amendments and modifications ensure compliance with the essential criteria of SR.II pertaining to criminalization of FT, and elimination of the deficiencies indicated in the 2011 MER.

Taking into account these factors and effectiveness, the current compliance rating may be upgraded to **LC**.

Special Recommendation IV (Suspicious Transaction Reporting) – rated PC

Deficiency No.1 - Shortcomings in criminalization of terrorist financing may affect the STR filing regime.

117. Following introduction of amendments and modifications into Article 258 *(Financing of terrorist or extremist activities and other support of terrorism or extremism)* for criminalization of financing of terrorism, deficiency No.1 is eliminated.

Deficiency No.2 - The requirements of the RK AML/CFT Law apply to not all financial institutions.

118. Conclusions on this deficiency are similar to those regarding deficiency No.3 in Recommendation 13.

Deficiency No.3 - There is no requirement to file STR on attempted FT-related transactions.

119. In addition to the information provided in the conclusions on deficiency No.4 in Recommendation 13, it should be noted that the suspicious transaction indicators listed in Regulation No.1484 include the following indicator - attempted customer's transaction(s) that give(s) rise to suspicion that such transaction(s) is/are aimed at financing of terrorism or extremism.

Deficiency No.4 - Low effectiveness of application of Special Recommendation IV

120. The statistics provided by Kazakhstan shows that entities that are subject to financial monitoring filed FT-related STRs in 2012 - 2014. However, the percentage of FT-related reports compared to total number of reports received by the FIU in the reporting period was small (0.04% in 2012, 0.07% in 2013 and, 0.56% in 2014). In practice, all FT-related reports were filed by banks (except for three reports submitted by insurance (reinsurance) institutions in 2014). Such situation may indicate that the financial sector (except for banks) insufficiently understands the need for detecting transactions potentially related to FT and identifying criteria of such transactions.

121. Thus, the available statistics contain no information indicating effectiveness of application of Special Recommendation IV.

Conclusions on Special Recommendation IV

The review and analysis show that the Republic of Kazakhstan has achieved progress in bringing its national legislation in line with the requirements of Special Recommendation IV.

Kazakhstan needs to further improve its AML/CFT regulatory system to ensure that the entire financial sector is covered by the FT-related suspicious transaction detection and reporting regime.

It is recommended to provide additional information to the non-banking sector about the FT-related transactions identification/detection criteria.

Taking into account the progress achieved by the Republic of Kazakhstan in implementing Special Recommendation IV, the current compliance rating may be upgraded to **LC**.

Key Recommendations (R.23, R. 35, SR.I, SR.III)

Recommendation 23 (Regulation, Supervision and Monitoring) – rated PC

Deficiency No.1 - Persons engaged in financial leasing transactions; consumer cooperatives that provide loans to their members; micro-credit institutions; pawnshops; insurance agents; persons carrying out transactions with E-money and persons accepting payments from the public are not subject to AML/CFT licensing, monitoring or supervision.

122. Pursuant to RK Law No.474 of July 4, 2003 on Regulation, Monitoring and Supervision of Financial Market and Financial Institutions the designated government agency (the National Bank of the Republic of Kazakhstan) monitors compliance by financial institutions and the national postal service operator with the RK AML/CFT legislation as it pertains to recording, retaining and reporting transactions with funds and (or) other property (assets) that are subject to financial monitoring, conducting due diligence with respect to customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring, ensuring security of documents obtained in course of their operations, and arranging for and implementing the internal controls, as prescribed by the RK legislation.

123. Financial institutions are legal entities engaged in business activities involving provision of financial services. Financial services include the licensed activities and operations carried out by insurance market players, securities market players, voluntary pension savings funds as well as the licensed banking activities carried out by entities engaged in certain types of banking operations and also activities and operations performed by the unified pension savings fund, central depository, unified securities registrar and mutual insurance companies which are not subject to licensing.

124. Pursuant to RK Law No.202-V on Permits and Notices of May 16, 2014 certain types of financial activities or transactions and activities related to accumulation of financial resources are subject to licensing. In particular, subject to licensing are: banking and other transactions carried out by banks and entities engaged in certain types of banking operations; provision of foreign cash exchange services; insurance and reinsurance activities; actuarial activities and credit bureau activities. The following financial sector entities may operate without license: credit cooperatives, central depository, securities registrar, government-owned credit bureaus, mutual insurance companies, e-government payment gateway operator, unified pension savings fund, national postal service operator and development bank of Kazakhstan, to the extent permitted by the laws of the Republic of Kazakhstan.

125. According to the RK Law on Financial Leasing the RK National Bank grants licenses to banks to operate in the capacity of licensed lessors in the situations specified in the Kazakh legislation. Other entities engaged in leasing activities operate in the capacity of unlicensed lessors. There is no designated government agency in charge of AML/CFT regulation, supervision and monitoring of leasing activities carried out by the aforementioned entities. Pursuant to the amendments introduced into the RK Law on Financial Leasing on August 2, 2015 leasing entities operating in the capacity of unlicensed lessors commence their operations after notifying the designated financial monitoring agency thereof in the manner specified in

the Law on Permits and Notices. However, these amendments will come into force on January 1, 2017.

126. The RK Law on Credit Cooperatives stipulates that credit cooperatives fall into the category of entities engaged in certain types of banking operations without license granted by the RK National Bank. At present, there is no designated government agency in charge of AML/CFT regulation and monitoring of activities carried out by credit cooperatives (RK Law No.107 of December 23, 2005 deleted Chapter 7 (*Regulation of activities of credit cooperatives*) from the RK Law on Credit Cooperatives. In the past, the credit cooperatives were licensed and regulated by the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions).

127. Pursuant to the RK Law on Microfinance Organizations a microfinance organization obtains official status through government registration with justice authorities and "record registration" with the designated government agency (the RK National Bank). For the purpose of "record registration" microfinance organizations shall submit the required set of documents. The Law establishes the grounds for refusal to grant registration by the designated government agency as well as for removal microfinance organization from the register of microfinance organizations. The designated government agency develops and approves mandatory prudential and other standards and thresholds for microfinance organizations, methods of their calculation as well as templates and timelines for submission compliance reports and also conducts audits of microfinance organizations and monitors their compliance with the requirements set forth in the RK AML/CFT legislation.

128. At present, pawnshops are not subject to licensing and AML/CFT regulation and supervision. According to the amendments and modifications introduced into Article 328 of the RK Civil Code on August 2, 2015, prior to commencement and termination of their operation, pawnshops are obliged to notify the designated financial monitoring agency thereof and also comply with the requirements set forth in the RK AML/CFT legislation. However, these amendments and modifications will be brought into force on January 1, 2017.

129. At present, insurance agents are not subject to licensing and AML/CFT regulation and supervision. Article 81-1(2) of the RK Law on Insurance obliges insurance institutions that are subject to financial monitoring to keep registers of insurance agents with whom they enter into contractual relationships and to post these registers (*inter alia*, on their websites) such as to ensure that they available to and accessible by insurance service customers. Pursuant to paragraph 3 of Article 18.1 of the RK Law "On Insurance Activity" and paragraph 8-1 of the Requirements for conducting insurance activity, including establishing relationships with insurance market participants and provision of intermediary activities in the insurance market by insurance brokers (hereinafter the "Requirements No. 25), approved by the FSA Board resolution No. 25 dated March 1, 2010, insurance companies shall, on a quarterly basis, but not later than the fifth working day of the month following the reporting quarter, using a transmission medium guaranteeing delivery, submit to the RK National Bank an electronic copy of its register of insurance brokers. No central register of insurance agents is maintained by the supervisory authority.

130. Pursuant to the RK Law on the National Bank of the Republic of Kazakhstan the RK National Bank is entrusted with arrangement for and regulation of payments, fund transfers and operation of payment systems. Activities and operations of entities engaged in e-money transactions (in particular, e-money issuers, their agents and e-money operators) are governed by the RK Law on Payments and Fund Transfers and by the regulations of the RK National Bank. According to the AML/CFT Law the second-tier banks and non-bank e-money operators fall into the category of entities that are subject to financial monitoring.

131. According to the amendments introduced into the AML/CFT Law on August 2, 2015 third-party payment processors fall into the category of entities that are subject to financial monitoring. The covered third-party payment processors are defined as payment institutions that have undergone "record registration" with the RK National Bank and provide payment acceptance and processing services. The RK National Bank is obliged to provide information on these entities to the designated financial monitoring agency. Besides that, according to the amendments and modifications introduced into the AML/CFT Law the designated AML/CFT agency is entrusted with receiving notices filed by non-bank e-money operators, individual and corporate leasing entities operating in the capacity of unlicensed lessors and pawnshops in compliance with the RK Law on Permits and Notices and with keeping registers of the said entities that are subject to financial monitoring. However, these amendments and modifications will be brought into effect on January 1, 2017. As of now, the issuer of electronic money shall send to the designated financial monitoring agency (the Committee) information on EM system operators with whom it has concluded contracts in accordance with paragraph 9 of Article 36-1 of the RK Law "On Payments and Funds Transfers".

132. It is noteworthy that according to certain Requirements for internal control rules credit cooperatives, financial leasing entities (except for bank subsidiaries that comply with the AML/CFT requirements established by a bank) and agents (trustors) of non-financial service providers that accept cash payments from consumers, *inter alia*, via electronic terminals fall into the category of customers that pose enhanced ML/FT risks. It is assumed that adequate AML/CFT regulation and supervision of credit cooperatives, financial leasing companies and third-party payment processors will help to mitigate ML/FT risks posed by the aforementioned entities.

Deficiency No.2 - The AML/CFT Law and other relevant laws ("On the AFS") do not provide for monitoring by the competent authorities of compliance with the law as it pertains to refusal or suspension of transactions.

133. Pursuant to Article 14 of the AML/CFT Law monitoring of compliance by entities that are subject to financial monitoring with the RK AML/CFT legislation as it pertains to recording, retaining and reporting transactions with funds and (or) other (property) assets that are subject to financial monitoring, conducting due diligence in respect to customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring, ensuring security of documents obtained in course of their operations, and arranging for and implementing the internal controls is performed by the relevant government authorities within the scope of powers vested in them and in a manner established by the RK legislation.

134. According to Article 9(2-1) of the RK Law on Government Regulation, Monitoring and Supervision of Financial Market and Financial Institutions the RK National Bank oversees compliance by financial institutions and the national postal service operator with the RK AML/CFT legislation as it pertains to suspension and refusal to carry out transactions that are subject to financial monitoring.

Deficiency No. 3 - Furthermore, the powers of the AFS and other competent authorities to monitor not just arrangements for but also practical implementation of internal control rules, protection of the relevant documents and compliance with the requirements of the supervisors and FIU need further clarification.

135. Pursuant to RK Presidential Decree No.25 of 12, 2011 on Further Improvement of the RK Financial Market Government Regulation System the RK Agency for Regulation and

Supervision of Financial Market and Financial Institutions was abolished and its functions were assigned to the RK National Bank. Pursuant to RK Presidential Decree No.61 of April 18, 2011 on Certain Issues Pertaining to the RK National Bank the Committee for Monitoring and Supervision of Financial Market and Financial Institutions was established within the RK National Bank, which was later abolished by RK Presidential Decree No.744 of January 30, 2014.

136. At present, pursuant to the RK Law on Government Regulation, Monitoring and Supervision of Financial Market and Financial Institutions the powers related to monitoring of compliance by financial institutions and the national postal service operator with the AML/CFT legislation as it pertains to ensuring security of documents obtained in course of their operations and arranging for and implementing the internal controls are vested in the RK National Bank. According to the information provided by the RK National Bank new supervisory departments were established instead of the Financial Supervision Committee with the RK National Bank.

137. The RK Law on the National Bank of the Republic of Kazakhstan empowers the RK National Bank to monitor and oversee compliance by financial market operators and players with the requirements established in the RK legislation and to institute administrative proceedings or impose other sanctions for breaches of these requirements detected in course of discharging its oversight functions.

138. Established in the Code of Administrative Offences are administrative sanctions for breaching by entities that are subject to financial monitoring of the AML/CFT legislation. In particular, administrative sanctions are imposed for failure by entities that are subject to financial monitoring to meet their obligations pertaining to development, adoption and (or) implementation of internal control rules and internal controls implementation programs and also for committing repeated (three or more times during one year after imposition of administrative penalty) offences of this type.

Deficiency No.4 - There is no competent authority responsible for supervising KazPost operations pertaining to provision of financial services.

139. Pursuant to Article 6(2) of RK Law No.386 on Postal Service dated February 8, 2003 (as amended by Law No.206-V ZRK) the RK National Bank oversees compliance by the national postal service operator with the RK AML/CFT legislation in course of performing financial activities and providing financial services. The relevant types of financial activities and financial services are specified in the RK Law on Postal Service.

140. KazPost open joint-stock company was designated as the national postal service operator of the Republic of Kazakhstan by RK Government Resolution No.1386 of December 31, 2003.

Deficiency No.5 - No steps were taken by the competent authorities to review the AML/CFT situation in the supervised institutions.

141. According to the information provided by Kazakhstan, for discharging its supervisory functions, the RK National Bank uses statistics on suspicious and threshold transaction reports filed by financial institutions. These statistical data are disseminated to annually to it by the Financial Monitoring Committee under agreement on AML/CFT cooperation and coordination signed between the RK Ministry of Finance and the National Bank on May 23, 2013.

142. In 2013, the RK National Bank conducted the survey of the second-tier banks and other financial institutions for reviewing the AML/CFT situation and assessing readiness for implementation of new provisions of the AML/CFT legislation. The disseminated questionnaire contained ten sections (internal organizational structure; identification of

ML/FT risks; AML/CFT internal control rules (programs); identification and verification; transaction examination and reporting; personnel screening; training; compliance and audit; record keeping; and correspondent relationships), and the banks were requested to conduct self-assessment of level of their compliance with each of these requirements. The survey revealed the following most problematic issues: (1) ML/FT risk identification (since the legislation contained no requirements for application of a risk-based approach in course of establishing and maintaining customer relationships and providing services); (2) identification and verification (since the legislation did not require to identify beneficial owners and verify veracity of information provided by customers or their representatives); and (3) personnel screening (since the legislation did not require to screen employees with consideration for ML/FT risks depending of particular job positions). The results of this survey were taken into account for revising the AML/CFT Law and also for development of the Regulation on establishment of risk management and internal control system of the second-tier banks adopted by RK National Bank Board Resolution No.29 dated February 26, 2014.

143. Since January 1, 2012 through January 1, 2014, the scheduled audits/inspections of entities that are subject to financial monitoring for verifying availability and conformance of the internal regulations, procedures and automated (computer-aided) systems to the RK AML/CFT legislation were conducted with the use of the Methodological Guidelines on verification of availability and conformance of the internal regulations, procedures and automated (computer-aided) systems financial institutions to the RK AML/CFT legislation. Based on the outcomes of the conducted audits/ inspections different levels of risk were assigned to the inspected entities, and recommendations for improvement of the AML/CFT arrangements were issued to them.

144. According to additional information provided by Kazakhstan, a review of AML/CFT compliance was conducted in respect of the stock exchange, the National Postal Service Operator, pension savings funds, mutual insurance companies and microfinance institutions. No information on the AML/CFT measures taken in respect of postal service providers engaged in the provision of money transfer services is available.

145. Thus, the steps to review the AML/CFT situation were taken only in respect to a portion of financial entities that subject to financial monitoring.

Deficiency No.6 - The AML/CFT supervision and monitoring regulatory frameworks have not been established for all types of financial institutions yet.

146. Since adoption of the MER until now, Kazakhstan introduced amendments and modifications in the legislation and adopted new laws and regulations for further development and improvement of the national AML/CFT system, including the supervision and monitoring framework.

147. For this purpose the following laws were adopted: RK Law No.524-IV of December 28, 2011 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan pertaining to Regulation of Banking and Financial Institutions for Minimizing Risks; RK Law No.19-V of June 21, 2012 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan pertaining to Combating Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism and Encashment; and RK Law No.206-V of June 10, 2014 and RK Law no.343-V of August 2, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan pertaining to Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorism.

148. The aforementioned laws introduced requirements for risk management and internal control systems of banks, insurance institutions, professional securities market players and

pension savings funds; established administrative liability for breaches of the risk management and internal control system development procedure by financial entities; imposed obligations for suppression of conversion of funds into cash through banking system; introduced additional requirements for CDD and internal regulations and procedures of entities that are subject to financial monitoring, including requirements for examination of customers' complex, exceptionally large transactions that have no obvious economic or visible lawful purpose; and established requirements for assessing ML/FT risks.

149. For implementing the requirements of Law No.206-V the RK National Bank Board adopted Resolution No.168 of August 27, 2014, which introduced the relevant amendments and modifications into the supervisor's regulations pertaining to implementation of AML/CFT measures in the financial sector.

150. RK Finance Minister's Order No.506 of November 20, 2014 revised and updated the list of documents required for performing CDD by entities that are subject to financial monitoring.

151. RK Finance Minister's Order No.533 of November 28, 2014 adopted the personnel training and education requirements for entities that are subject to financial monitoring.

152. The regulations were adopted which obliged the second-tier banks, insurance (reinsurance) institutions, securities market brokers and dealers that provide investment portfolio management services, pension savings funds, unified securities registrar, stock exchange and central depository to apply AML/CFT procedures in their internal control systems.

153. The Requirements for AML/CFT internal control rules were adopted for the second-tier banks, national postal service operator, insurance (reinsurance) institutions and insurance brokers, professional securities market players, central depository, stock exchange, unified pension savings fund, voluntary pension savings funds, entities engaged in certain types of banking operations, microfinance organizations and postal service operators that render remittance services.

154. Thus, the AML/CFT regulatory framework is established for all financial entities that are subject to financial monitoring, however, there are still some financial entities and institutions not covered by the AML/CFT regulatory regime (see conclusions on deficiency No.1 in Recommendation 5 and on deficiency No.1 in Recommendation 23).

Deficiency No.7 - No information is available on the application of the Core Principles for the AML/CFT purposes in the banking, insurance and securities sectors.

155. In February – March 2014, the IMF conducted assessment of stability of the Kazakh financial system under the FSAP program, which included assessment of compliance with the Core Principles of the Basel Committee on Banking Supervision and review of compliance with the Principles of the International Association of Insurance Supervisors and the Principles of International Organization of Securities Commissions. The final report was published on the IMF official website on August 8, 2014.[8]

156. As for the AML/CFT issues (Principle 29 of the Core Principles of Effective Banking Supervision), the report indicated that the current Kazakh AML/CFT Law did not fully meet the international standards pertaining to regulation of correspondent relationships and CDD. The report did not contain any special comments related to the insurance and securities sectors.

157. On June 10, 2014, Law No.206-V introduced amendments into the AML/CFT Law for eliminating the aforementioned shortcomings. In particular, it was directly (explicitly) prohibited to establish and operate shell banks and establish correspondent relationships with them; the *"beneficial owner"* concept was introduced and the requirement to conduct CDD in

[8] http://www.imf.org/external/pubs/ft/scr/2014/cr14258.pdf

respect to beneficial owners was established; entities that are subject to financial monitoring were obliged to verify customer information before or during establishment of business relationship and have ML/FT risk management program and effective AML/CFT professional development training program for their personnel; the obligation was imposed on entities that are subject to financial monitoring to refuse to establish business relationships with individuals and legal entities where it is impossible to undertake CDD.

158. According to information provided by Kazakhstan the Requirements for AML/CFT internal control rules of the banking, insurance and securities sectors were developed with due consideration for the guide papers of the Basel Committee on Banking Supervision (Sound management of risks related to money laundering and financing of terrorism – January 2014), the International Association of Insurance Supervisors (Application paper on combating money laundering and financing of terrorism – October 2013) and the International Organization of Securities Commissions (Anti-money laundering guidance for collective investment schemes – October 2005).

159. On December 14, 2014, modifications were introduced in the list of documents required for performing CDD by entities that are subject to financial monitoring adopted by RK Finance Minister's Order No.56 of February 15, 2010.

160. In 2014, the RK National Bank revised and amended its regulations (instructions, rules) that established requirements for availability of risk management and internal controls systems of the second-tier banks, stock exchange, central depository, insurance (reinsurance) institutions and securities market brokers and dealers that provide investment portfolio management services.

Deficiency No.8 - There are no restrictive measures in place to prevent criminals and their accomplices from entering the sector of postal service operators that provide remittance services.

161. The restrictive measures for preventing criminals from becoming owners of or holding management function in legal entities are imposed at the stage of government registration (re-registration) of legal entities. Pursuant to Article 11 of RK Law No.2198 of April 17, 1995 on Government Registration of Legal Entities and Record Registration of Branches and Subsidiaries government registration (re-registration) of legal entities shall be denied, in particular, if an individual who is the founder (member) and (or) the chief executive officer of a legal entity has a non-discharged record of conviction for committing criminal offences covered by Articles 215, 237, 238 and 240 of the RK Criminal Code.

162. However, the aforementioned restrictive measures apply not to all persons who have criminal record, but only to those who have been convicted for certain crimes contained in the exhaustive list of criminal offences.

163. The rights and duties of postal service operators and the powers vested in the government postal services regulators/ supervisors are defined in the RK Law on Postal Service. However, the Law on Postal Service provides no restrictive measures to prevent criminals and their accomplices from entering the sector of postal service operators: there are no measures in place for preventing criminals or entities beneficially owned by criminals from exercising direction and management of postal service operators. At the same time, the chief executive officers of Kazpost (the national postal service operator) are covered by the requirements set forth in the "Regulation on approval of nominees appointed (elected) to the CEO positions in financial institutions and banking and insurance holding companies and on the list of documents needed for approval" adopted by RK National Bank Board Resolution No.95 of 24.02.2012 (since Kazpost is licensed to provide the broker-dealer services).

164. No such measures are established in the regulations (provided by Kazakhstan) of the designated supervisors (the RK National Bank and the RK Investment and Development Ministry) which perform, within the scope of powers vested in them, AML/CFT oversight of postal service operators.

165. On August 2, 2015, RK Law No.343-V introduced amendments into the Law on Postal Service, according to which an individual or a legal entity which founder or member is a natural or legal person beneficially owned by an individual who has a non-discharged record of conviction for committing criminal offences covered by Articles 215, 237, 238 and 240 of the RK Criminal Code, is prohibited from operating in the capacity of postal service operator (i.e. to directly (or) indirectly own, use, dispose and (or) manage shares (interest in authorized capital) of a legal entity). Besides that, according to modifications introduced into Article 11 of the RK Law on Government Registration of Legal Entities and Record Registration of Branches and Subsidiaries government registration of a legal entity shall be denied if the founder (member) and (or) the chief executive officer of such legal entity is included in the list of entities and individuals linked to financing of terrorism and extremism. However, these modifications will be brought into effect on February 2016.

Deficiency No.9 - The national postal service operator is authorized to carry out remittance transactions without a license. The existing laws contain no requirement concerning ownership of a significant share in the statutory capital of entities engaged in certain types of banking operations.

166. According to Article 30(2)(6) and (7) of RK Law No.244 of August 31, 1995 on Banks and Banking Activity in the Republic of Kazakhstan the national postal service operator is authorized to carry out remittance transactions without need to obtain license from the designated government agency.

167. According to the information provided by Kazakhstan the Committee for Communications, Information and Information Technologies of the RK Investment and Development Ministry has drafted the laws on amendments and modifications to certain RK legislative acts pertaining to postal service. In the context of these draft laws, the RK National Bank considers imposition of additional regulatory requirements on KazPost (when it operates in the capacity of a financial institution), including licensing of banking services, *inter alia*, postal remittance services provided by KazPost.

168. Law No.206-V introduced the *"beneficial owner"* concept into the AML/CFT Law. KazPost is obliged to identify beneficial owners.

Deficiency No.10 - The activities of the national postal service operator (KazPost) related to provision of financial services is not subject to monitoring. The issue pertaining to regulation of KazPost activities related to provision of postal remittance services is unclear.

169. The RK Law on Postal Service authorizes postal service operators, including the national postal service operator, to provide postal communication services which include postal remittance services and also to carry out financial activities and provide financial services.

170. Pursuant to the RK Law on Postal Service the designated government agency (the RK Investment and Development Ministry) I entrusted with government regulation of the postal communication services in Kazakhstan, implementation of the government policy in this area and monitoring compliance with the RK Postal Service and AML/CFT legislation by the national postal service operator in course of provision of postal communication services. RK Investment Minister's Order No.62 of October 14, 2014 adopted the Statute of the Committee for Communications, Information and Information Technologies of the RK Investment and Development Ministry which authorizes this Committee to participate in monitoring of

compliance by the national postal service operator with the AML/CFT legislation of the Republic of Kazakhstan.

171. Pursuant to the Law on Postal Service the activities of the national postal service operator pertaining to acceptance of deposits and opening and keeping bank accounts for natural persons are regulated by the RK National Bank, *inter alia*, by establishing certain prudential standards and issuing licenses. The Kazakh authorities advised the assessors that, as of April 1, 2015, KazPost was licensed to accept deposits, open and maintain bank accounts of natural persons, operate in the capacity of the first category broker and dealer, and also to operate in the capacity of the transfer agent in the securities market.

172. The National Bank of the Republic of Kazakhstan oversees compliance by the national postal service operator with the AML/CFT legislation in course of carrying out financial activities and providing financial services. According to the RK Law on the National Bank of the Republic of Kazakhstan the RK National Bank monitors compliance by the financial market operators and players with the requirements established by the Kazakh postal service legislation.

173. Pursuant to the RK Law on Government Regulation, Monitoring and Supervision of Financial Market and Financial Institutions the RK National Bank oversees compliance by the national postal service operator with the RK AML/CFT legislation as it pertains to recording, retaining and reporting transactions with funds and (or) other (property) assets that are subject to financial monitoring, conducting due diligence in respect to customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring, ensuring security of documents obtained in course of its operations, and arranging for and implementing the internal controls in compliance with the RK legislation.

174. Postal communication services, including postal remittance services, are provided in compliance with the Postal Communication Service Regulation and the Postal Stamp Regulation adopted by RK Government Resolution No.72 dated 16.01.2012. Joint RK Finance Minister's Order No.499 of November 19, 2014 and Investment and Development Minister's Order No.182 of November 25, 2014 adopted the Requirements for internal control rules of postal service operators that render remittance services. The RK Code of Administrative Offences empowers the designated government postal service regulator to draw up formal reports ("protocols") on administrative offences pertaining to breaches of the RK AML/CFT legislation.

175. RK Finance Minister's Order No.521 of November 26, 2014 and RK National Bank Resolution No.253 of December 24, 2014 adopted the Requirements for AML/CFT internal control rules of the second-tier banks and the national postal service operator.

176. Thus, as may be inferred from the provided regulations, the activities and operations of KazPost are regulated by the RK National Bank and the RK Investment and Development Ministry, depending of specific types of the provided services. KazPost activities related to provision of postal remittance services are regulated by the RK Government and the RK Investment and Development Ministry. However, the issues pertaining to regulation of certain financial services (mentioned in Article 4 of the RK Law on Postal Services) provided by KazPost, such as carrying out financial leasing activities, performing factoring and forfaiting transactions, granting of loans, remain unclear. Besides that, Kazakhstan provided no evidence for making conclusion as to whether postal remittance services provided by KazPost are actually overseen in practice.

Deficiency No.11 - The national postal service operator and mutual insurance companies may carry out certain types of financial transactions without a license.

177. As it follows from the comments above, the national postal service operator still carries out certain types of financial transactions without a license.

178. According to RK Law No.163 on Mutual Insurance of July 5, 2006 mutual insurance-related activities are not subject to licensing. Mutual insurance companies are also authorized to carry out the following types of financial activities: investment activities and granting loans to their members. According to the RK Law on Permits and Notices mutual insurance companies may carry out financial activities without license. According to the RK authorities, 99% of mutual insurance companies operating in Kazakhstan provide the mandatory insurance services in the crop farming industry. Article 13(2)(2) of the RK Law on Mutual Insurance prohibits mutual insurance companies from providing other types on mandatory insurance services. Besides that, the legislation prohibits mutual insurance companies from providing civil liability insurance services (Article 13(2)(1) of the RK Law on Mutual Insurance) and from providing reinsurance of risks undertaken by mutual insurance companies (Article 16 of the RK Law on Mutual Insurance).

Deficiency No.12 - At the time of mutual evaluation, there was no practice of or statistics on implementation of AML/CFT supervision measures.

179. The statistics provided by Kazakhstan show that the AML/CFT supervisors conducted audits/inspections of financial institutions, revealed deficiencies and imposed sanctions in 2012-2014.

180. It should be noted that the provided statistics covered not all supervised financial entities and institutions.

181. Nevertheless, Kazakhstan currently has practice of and statistics on implementation of AML/CFT supervision measures.

Conclusions on Recommendation 23

The review and analysis show that the Republic of Kazakhstan has made certain progress in bringing its national legislation in line with the requirements of Recommendation 23.

Given that some amendments designed to extend AML/CFT requirements to cover pawnshops, leasing companies and third-party payment processors will come into effect only on January 1, 2017, the above reporting entities were not subject to adequate licensing and registration requirements or AML/CFT monitoring and supervision at the time of preparation and discussion of the Follow-Up Report.

The National Postal Service Operator and mutual insurance companies continue to carry out certain types of financial transactions without a license; there is no designated agency responsible for conducting AML/CFT monitoring in respect of credit cooperatives; the activities of insurance brokers are not subject to AML/CFT supervision; the issue of supervision of the activities of the National Postal Service Operator related to the provision of certain types of financial services remains unresolved; restrictions on the entry by criminals and their accomplices into the postal services market are inadequate (with the exception of the National Postal Service Operator).

Given the above, the current rating of compliance with Recommendation 23 should remain **PC**.

Recommendation 35 (Conventions) – rated PC

Deficiency No.1 - The provisions of the Vienna and Palermo conventions with regard to criminalization of the crime of ML, identification of beneficial owners, storage of data and reporting of suspicious transactions are not fully implemented.

Deficiency No.3 - There are deficiencies in compliance with the requirements of Article 18 of the Convention on FT.

182. For implementing the provisions of the Vienna and Palermo Conventions related to criminalization of ML offence, Kazakhstan substantially amended its Criminal Code to ensure that ML offence is criminalized.

183. The money laundering offence (Article 218 of the 2014 Criminal Code) covers conversion and transfer of property representing the proceeds of crime and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property, knowing that such property is the proceeds of crime. The terminology used in the Criminal Code and in the AML/CFT Law was synchronized.

184. However, criminal liability for ML offence is imposed if such actions are committed ***on a large scale***.

185. Laws No.206-V ZRK and No.343-V ZRK introduced provisions pertaining to beneficial ownership, data storage and suspicious transaction reporting into the AML/CFT Law, which facilitated implementation of the requirements set forth in Article 18 of the 1999 International Convention for the Suppression of the Financing of Terrorism.

Deficiency No.2 - The acts related to provision of funds to terrorists or terrorist organizations without intention of carrying out terrorist activities, or not related to a specific terrorist act are not criminalized as required by the Convention for the Suppression of the FT.

186. For implementing the provisions of the Convention for the Suppression of the Financing of Terrorism Kazakhstan criminalized acts related to provision of funds to terrorists or terrorist organizations without intention of carrying out terrorist activities, or not related to a specific terrorist act (see comments on deficiency No.1 in Special Recommendation II).

Conclusions on Recommendation 35
The review and analysis show that the Republic of Kazakhstan has achieved substantial progress in bringing its national legislation in line with the requirements of Recommendation 35. Taking into account the progress achieved by the Republic of Kazakhstan in implementing Recommendation 35, the current compliance rating may be upgraded to **LC**.

Special Recommendation I (Implementation of UN Instruments) – rated NC

Deficiency No.1 - There are deficiencies in compliance with the requirements of Article 18 of the Convention on FT.

187. Laws No.206-V ZRK and No.343-V ZRK introduced provisions pertaining to beneficial ownership, data storage and suspicious transaction reporting into the AML/CFT Law, which

facilitated implementation of the requirements set forth in Article 18 of the 1999 International Convention for the Suppression of the Financing of Terrorism.

Deficiency No.2 - A number of legal mechanisms required by UNSCR 1267 and 1373 are missing.

188. Kazakhstan adopted laws that amended the Criminal Code and also implemented the legal mechanisms for removal of persons from the list of entities and individuals linked to financing of terrorism and for authorizing access to funds necessary for covering basic expenses in the AML/CFT Law.

Deficiency No.3 - There are no procedures for de-listing citizens from the list of individuals associated with terrorism and extremism.

189. See comments on deficiency No.4 in Special Recommendation III.

Deficiency No.4 - There are no mechanisms in Kazakhstan allowing access to the part of the funds needed to satisfy basic living needs as required by UNSCR 1452.

190. As for the implementation mechanisms, please, see comments on deficiency No.5 in Special Recommendation III.

Conclusions on Special Recommendation I
For meeting its international obligations, the Republic of Kazakhstan introduced, in 2014-2015, amendments and modifications into the Criminal Code and the AML/CFT Law related to the use of the UN instruments such as to remedy the deficiencies in implementation of Special Recommendation I revealed during the previous evaluation. Taking into account the cascade effect of other Special Recommendation, in particular, Special Recommendation III (as indicated in the 2011 MER), the current compliance rating may be upgraded to **PC**.

Special Recommendation III (Freezing and Confiscation of Terrorist Assets) – rated NC

Deficiency No.1 - The current regime for suspension of transactions and application of criminal-procedural mechanisms in respect to individuals listed as terrorists raises questions as to the effectiveness of the implementation of Resolutions 1267 and 1373.

Deficiency No.3 - The FIU is not authorized to communicate actions taken under the freezing mechanisms. There is no clear guidance for the financial institutions on measures to be taken in the event of detection of a transaction related to persons listed as terrorists.

191. Law No.343 ZRK introduced the new concept into Article 1 of the AML/CFT Law:

"Freezing of transactions with funds and (or) other property (assets) - measures taken by entities that are subject to financial monitoring and government authorities for suspending transfer, conversion, disposal or movement of funds and (or) other property (assets) owned by an entity and (or) by an individual included in the list of entities and individuals linked to financing of terrorism and extremism, or by an entity which beneficial owner is an individual included in such list. This new concept will be brought into effect in February 2016.

192. Article 13 of the AML/CFT Law, as amended by Law No.343-V ZRK, obliges entities that

are subject to financial monitoring to take measures without delay for freezing transactions with funds and (or) other property (assets) not later than the next business day following the day when relevant information is posted on the official website of the designated government agency and to inform the designated government agency on taken measures not later than the next business day following the day when such decision was made (such measures were taken). These provisions of the AML/CFT Law will be brought into effect in February 2016.

193. Besides that, Law No.343-V ZRK established the legal grounds for implementing certain procedures for freezing transactions with funds and (or) other property (assets) by introducing the relevant amendments into the RK Law on Government Registration of Legal Entities and Record Registration of Branches and Subsidiaries of April 17, 1995, the RK Law on Postal Service of February 8, 2003, the RK Law on Government Registration of Real Estate Titles of July 26, 2007 and the RK Law on Road Traffic of April 17, 2007. These new provisions will be brought into effect in February 2016.

194. Law No.206-V ZRK amended the procedure of communicating the list of entities and individuals linked to financing of terrorism and extremism to entities that are subject to financial monitoring. According to the revised Article 12(1) of the AML/CFT Law the list is posted on the official website of the designated government agency and electronically disseminated to the relevant government authorities. However, these new provisions of the AML/CFT Law will be brought into effect in February 2016.

195. Subparagraph 6 of Article 12(4) of the AML/CFT Law, as amended by Law No.343-V ZRK, empowers the RK General Prosecutor's Office to compile lists of entities and individuals linked to terrorist and extremist activities based on information provided by the RK law enforcement and special government authorities. These lists constitute the grounds for inclusion of such natural and legal persons into the lists of entities and individuals linked to financing or terrorism and extremism, in respect to whom the funds and (or) other property (assets) freezing mechanisms are applied.

196. The grounds for designation by the Prosecutor General's Office of entities and individuals linked to terrorist and extremist activities are stipulated in the local regulations of the Prosecutor General's Office.

197. Amendments introduced by Law No.343-V ZRK into Article 18 *(Cooperation between the designated government agency and the RK government authorities)* of the AML/CFT Law, imposed additional obligations on the government authorities to take measures for freezing transactions with funds and (or) other property (assets) of legal or natural persons included in the list of entities and individuals linked to financing of terrorism and extremism. These new provisions of the AML/CFT Law will be brought into effect in February 2016.

198. However, the AML/CFT Law (in particular, Article 13(3) thereof) does not explicitly specify the mechanism of implementation of freezing measures by the government authorities and the procedure of notifying the designated government agency of measures taken for freezing transactions with funds and (or) other property (assets).

199. The obligations imposed on entities that are subject to financial monitoring to suspend debit transactions carried out through bank accounts under the freezing regime are similar to those related to suspension of debit transactions for a short period of time. The detailed procedures of freezing funds and (or) other property (assets) have not been developed for entities that are subject to financial monitoring (the deficiency indicated in Par.295[9] of the 2011 MER is not eliminated, and the recommendation of Par.301 of the 2011 MER is not implemented).

[9] *"The regulations specifying the suspicious transaction suspension procedure contain no guidance for the financial institutions on measures to be taken in the event of detection of a transaction related to persons listed as terrorists".*

200. Law No.343-V ZRK introduced the new provision into Article 12(9) of the AML/CFT Law according to which, upon identification of property (assets), including ring-fenced property (assets) in a legal entity, of a person included in the list of entities and individuals linked to financing of terrorism and extremism, the designated government agency shall immediately report such information to the RK General Prosecutor's Office for seizure of such property (assets). This provision of the AML/CFT Law will be brought into effect in February 2016.

Deficiency No.2 - There are no effective laws and procedures to examine and give effect to, if applicable, the actions initiated under the freezing mechanisms of other jurisdictions.

201. Measures for giving effect to actions initiated under freezing mechanisms of other jurisdictions are set forth in Chapter12 *(International cooperation)* of the RK Criminal Procedure Code of July 4, 2014. In particular, Article 577 *(Search, seizure and forfeiture of property)* of the RK Criminal Procedure Code provides the mechanisms for coordinating measures taken jointly with foreign country for seizure and forfeiture of property in compliance with requests (instructions, applications) for legal assistance.

202. Pursuant to Article 571 of the RK Criminal Procedure Code identified property is subject to seizure or forfeiture (confiscation).

203. Law No.343-V ZRK introduced the new provision into Article 12(2) of the AML/CFT Law that established the following grounds for inclusion of natural and legal persons (which names appear in the list provided by the RK Foreign Ministry) in the list of entities and individuals linked to financing of terrorism, which funds, assets, transactions are subject to freezing measures:

A legal or natural person is included in the list of entities and individuals linked to terrorist organizations or terrorists compiled by the international anti-terrorism organizations or by the agencies authorized by them in compliance with the international treaties (agreements) signed by the Republic of Kazakhstan;
Sanctions are imposed against a legal or natural person under the UNSC terrorism and FT prevention and suppression resolutions, or an entity or an individual is included in the sanction lists compiled by the UNSC Committees established under the UNSCRs related to prevention and suppression of terrorism and financing of terrorism.

204. Subparagraph 6 of Article 12(4) of the AML/CFT Law, as amended by Law No.343-V ZRK, empowers the RK General Prosecutor's Office to compile lists of entities and individuals linked to terrorist and extremist activities based on information provided by the RK law enforcement and special government authorities.

205. Subparagraph 2 of Article 12(2) of the AML/CFT Law, as amended by Law No.343-V ZRK, stipulates that the procedure of compilation of the list of entities and individuals linked to financing of terrorism and extremism and its dissemination to the government authorities is established by the joint regulation of the designated government agency and the relevant government authorities.

206. Thus, the Republic of Kazakhstan has, in general, established the mechanism for considering and giving effect to freezing measures initiated in other jurisdictions. However, additional information and documents pertaining to cooperation between the designated government agency and the General Prosecutor's Office and to practical application of the freezing regulations are required for assessing effectiveness of the freezing mechanisms at this stage.

Deficiency No.4 - There are no procedures for removal of individuals from the list of persons associated with terrorism and extremism.

207. Article 12(5) of the AML/CFT Law, as amended by Law No.343-V ZRK, establishes the

following grounds for exclusion of an entity and an individual from the list of entities and individuals linked to financing of terrorism and extremism:

1) Revocation of the RK court ruling regarding liquidation of an entity due to its engagements in terrorist activities and (or) extremism in a situation where the liquidation process is not completed yet, and also revocation of the RK court ruling regarding recognition of an entity engaged in terrorist activities or extremism in Kazakhstan and (or) in other countries as terrorist or extremist one;
2) Revocation of the conviction of an individual who was found guilty by the RK court of committing extremism and (or) terrorism-related criminal offence(s);
3) Revocation of court convictions (rulings) and decisions of other competent authorities of foreign countries in respect to entities or individuals engaged in terrorist activities, that (convictions/rulings/decisions) were recognized by Kazakhstan in compliance with the international treaties (agreements) signed by it and with its national legislation;
4) Availability of a documented proof of death of an individual included in the list of entities and individuals linked to financing of terrorism and extremism;
5) Availability of a documented proof of discharge of the record of conviction of an individual convicted for committing an extremism and (or) terrorism-related criminal offence;
6) Exclusion of an entity or an individual from the list of entities and individuals linked to terrorist organizations or terrorists compiled by the international anti-terrorism organizations or by the agencies authorized by them in compliance with the international treaties (agreements) signed by the Republic of Kazakhstan;
7) Revocation of sanctions imposed on an entity or an individual under the UNSC terrorism and FT prevention and suppression resolutions, or exclusion of an entity or an individual from the sanction lists compiled by the UNSC Committees established under the UNSCRs related to prevention and suppression of terrorism and financing of terrorism;
8) Cessation of the circumstances that have given the grounds for including them in the list of entities and individuals linked to terrorist or extremist activities compiled by the RK General Prosecutor's Office based on information provided by the RK law enforcement and special government authorities.

208. Pursuant to Article 12(3) of the AML/CFT Law, as amended by Law No.343-V ZRK, the list of entities and individuals linked to financing of terrorism and extremism is updated based on information provided to the designated government agency by the government authorities listed in paragraph 2 of this Article, i.e. by the designated government agency for legal statistics and special records and by the Foreign Ministry.

209. Law No.343-V ZRK introduced amendments and modifications into Article 12 of the AML/CFT Law which established the mechanism of appealing against listing decisions by entities and individuals who have been mistakenly included in the lists of entities and individuals linked to financing of terrorism and extremism and/or to terrorist and extremist activities, or by those who should be but are not excluded from the said lists, in compliance with the procedures specified in the RK Law on Procedure of Consideration of Applications of Individuals and Legal Entities. The response by the designated government agency (FIU) to such request may be appealed in court. These provisions of the AML/CFT Law will be brought into effect in February 2016.

210. However, it is necessary to develop additional regulations that would establish the relevant procedures for practical implementation of these legislative provisions.

211. On our opinion, Kazakhstan should provide additional information and regulations that spell out the procedure of compiling and updating the list of entities and individuals linked to financing of terrorism and extremisms and the procedure of application of unfreezing mechanisms to persons who have been mistakenly included in the terrorist list and in respect

to whom the freezing mechanism have been applied.

Deficiency No.5 - Kazakhstan has no mechanisms for authorizing access to the portion of funds necessary for basic expenses, as required by the UN Security Council Resolution 1452.

212. New paragraph 8, that will be brought into effect in February 2016, introduced by Law No.343-V ZRK into Article 12 of the AML/CFT Law contains the provisions related to allowing access to a portion of funds needed for covering basic expenses:

"A natural person included in the list of entities and individuals linked to financing of terrorism and extremism on the grounds specified in subparagraphs 3, 4, 5 and 6 of paragraph 4 of this Article is authorized to request a permit of entity that is subject to financial monitoring to carry out the following transactions with funds or other property (assets) for covering his/her basic expenses and the basic expenses of his/her dependent family members:
1) with funds received as salary in amount not exceeding the minimum subsistence level (fixed by the RK Law on National Budget for a given fiscal year) per calendar month per each member of a family;
2) with funds received as pension, educational and/or maintenance allowance, other social benefit under the RK legislation, and also for paying taxes, fines and making other obligatory budgetary payments.

213. Pursuant to paragraph 5 introduced by Law No.343-V ZRK into Article 13 of the AML/CFT Law entities that are subject to financial monitoring shall identify such transactions as suspicious ones and report them to the designated government agency.

214. Upon issuing a transaction suspension order under subparagraph 1, the designated government agency shall, whiting three business days, make a decision to proceed with the suspended transaction or to reject it and notify the relevant entity that is subject to financial monitoring of its decision (subparagraph 4 of Article 13(5)). In the situation specified in subparagraph 2 and also if a person included in the list of entities and individuals linked to financing of terrorism and extremism attempts to carry out any other transactions, the designated government agency shall immediately provide this information to the General Prosecutor's Office, which shall, within eight hours following receipt of a suspicious transaction suspension report from the designated government agency, forward this information to the relevant law enforcement and special government authorities for making a decision.

215. Subparagraph 2 of Article 12(8) stipulates that the procedure of providing access for a natural person included in the list of entities linked to financing of terrorism and extremism to a portion of funds needed for covering basic expenses is adopted by the designated government agency.

216. Pursuant to the AML/CFT Law, it is necessary to establish a procedure for providing access to the funds needed to cover their basic expenses to individuals included in the list of persons linked to terrorist and extremist financing. In our opinion, Kazakhstan should provide additional information and regulations that spell out the procedure for notifying the 1267 Committee of the intention to authorize, if necessary, access to such funds, assets and resources.

Effectiveness

217. In course of reviewing the provided information, it should be kept in mind that, before the provisions of Law No.343-V ZRK come into effect, the FT-related transactions are suspended only for a short period of time. Besides that, there is a significant discrepancy between the value of assets frozen under UNSC Resolution 1373 *(Table 5)* and the amount of seized and

forfeited FT-related assets indicated in Table 3. Effectiveness of implementation of Special Recommendation III should be assessed after the provisions of Law No.343-V ZRK are brought into effect.

218. The accuracy of the presented statistical data raises questions, since they significantly differ from the statistics presented in the previous follow-up reports and in the responses to other surveys.

Conclusions on Special Recommendation III

The Republic of Kazakhstan introduced the *"freezing"* concept into its national legislation and took some steps to bring its national legislation into line with the requirements of SR.III with respect to terrorist assets freezing and confiscation.

However, the issues pertaining to development of detailed freezing procedures (that take into account the specificities of activities of entities that are subject to financial monitoring) for the covered entities, establishment of procedures for authorizing access to funds needed for covering basic expenses and imposition of liability for breaching requirements for implementation of terrorist assets freezing mechanisms are not sufficiently addressed, since the required regulations have not been adopted or brought into effect at the time of submission of this follow-up report.

A number of legislative amendments and modifications will come into effect in February 2016.

Taking into account the progress achieved in implementation of Special Recommendation III, the current compliance rating may be upgraded to **PC**.

Other Recommendation (R.2, R.6, R.7, R.8, R.11, R.12, R.15, R.16, R.17, R.18, R.21, R.22, R.24, R.25, R.29, R.30, R.31, R.32, R.33, R.38, R.39, SR.VI, SR.VII, SR.VIII, SR.IX)

219. The Republic of Kazakhstan has taken measures for eliminating deficiencies in implementation of R.2, R.6, R.7, R.8, R.11, R.12, R.15, R.16, R.17, R.18, R.21, R.22, R.24, R.25, R.29, R.30, R.31, R.32, R.33, R.38, R.39, SR.VI, SR.VII, SR.VIII, R.IX

IV. MAIN CONCLUSIONS AND RECOMMENDATIONS

220. Since adoption of the mutual evaluation report in 2011, the Republic of Kazakhstan made substantial progress in eliminating the revealed deficiencies in implementation of the Core and Key Recommendations.

221. The conducted review shows that a significant number of shortcomings have been eliminated. In the experts' opinion, ratings of compliance with Recommendation 13 (Suspicious transaction reporting), Recommendation 35 (Conventions), Special Recommendation II (Criminalization of terrorist financing) and Special Recommendation IV (Suspicious transaction reporting) may be upgraded to LC.

222. However, the review of progress in implementation of the remaining Core and Key Recommendations, i.e. Recommendation 1 (ML offence), Recommendation 5 (Customer due diligence), Recommendation 23 (Regulation, supervision and monitoring), Special Recommendation I (Implementation of UN instruments) and Special Recommendation III

(Freezing and confiscation of terrorist assets), does not allow for upgrading the ratings of compliance with these Recommendations to C or LC.

223. Taking into account the following factors:

a) A number of amendments and modifications introduced by RL Law No.343-V ZRK of August 2, 2015, as they pertain to freezing procedures as well as to extension of the AML/CFT requirements to pawnshops, financial leasing companies and third party payment processors, will come into effect in February 2016 or on January 1, 2017;

b) The 2014 Criminal Code established the threshold approach to imposition of criminal liability for ML

224. The Plenary is recommended to request the Republic of Kazakhstan to proceed with its efforts for improving the national AML/CFT system and eliminating deficiencies indicted in the MER and to submit the next follow-up report to the 24th EAG Plenary Meeting in May 2016 under the enhanced follow-up process.

ANNEX 1

SUMMARY

to the 3rd Follow-up Report of the Republic of Kazakhstan in Improving the National Anti-Money Laundering and Counter-Terrorist Financing Regime

The following efforts were undertaken since June 2011 through July 2015 to improve the national anti-money laundering and counter-terrorist financing system and to implement the EAG assessors' recommendations.

I. WORK PERFORMED:

1. The following Laws of the Republic of Kazakhstan were adopted and signed:

1.1 RK Law No.466-IV of July 21, 2011 on Amendments and Modifications to Certain *Legislative Acts of the Republic of Kazakhstan Pertaining to Electronic Money*

The RK Law on Payments and Fund Transfers was supplemented by Chapter 3-1 "Electronic Money" (Article 36-1 "Issuance and Circulation of Electronic Money", Article 36-2 "Use and Redemption of Electronic Money") which governs issuance of e-money and their use for making payments and carrying out other financial transactions.

1.2 RK Law No.524-IV of December 28, 2011 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Regulation of Banking and Financial Institutions for Minimizing Risks

This Law introduced amendments and modifications into the Code of Administrative Offences and into the following RK Laws:

• Article 190 "Misuse of Insider Information" of the RK Code of Administrative Offences was amended;

• The RK Law on Banks and Banking Activity was supplemented by new Article 40-5;

• The RK Law on Insurance in the Republic of Kazakhstan was supplemented by new Article 52-1;

• The RK Law on Securities Market was supplemented by new Article 49-1;

• The RK Law on Pension Coverage in the Republic of Kazakhstan was supplemented by new Article 40-1.

1.3 RK Law No.569-IV of February 21, 2012 on Ratification of the Agreement on the Eurasian Group on Combating Money Laundering and Financing of Terrorism

1.4 RK Law No.19-V of June 21, 2012 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism and Encashment

This law is intended for implementing the instructions of the RK President concerning the establishment of legal liability of banks, including revocation of banking license, for failure to report suspicious cash-out transactions; extension of the list of suspicious transaction indicators contained in the financial monitoring legislation to include cash-out transaction indicators;

implementation of additional measures to expand the payment card acceptance network and encourage non-cash payments; establishment, in the tax legislation, of cash payment threshold offsetting VAT; and reduction of the threshold amount of transactions carried out among legal entities.

This Law introduced amendments and modifications into the following RK Codes and Laws:

• Article 156(4) (General Part) of the RK Civil Code was amended;

• The RK Criminal Code was supplemented by new Article 307-1:

• The words "307-1 of the RK Criminal Code" were added into Article 285(3)(1) of the RK Criminal Procedure Code;

• The RK Criminal Procedure Code was amended:

• Article 765(7) and Article 830(5)(4-1) (General Part) of the RK Civil Code were amended;

• The RK Code of Administrative Offences was supplemented by new Article 161-2, and Article 161-1 was amended;

• Article 257 of the RK Tax Code was amended;

• Articles 48, 50 and 51 of the RK Law on Banks and Banking Activity were amended;

• Article 50(4)(5-1) of the RK Law on Pension Coverage was amended;

• Article 18(2) of the RK Law on Notaries was amended;

• Article 11 of the RK Law on Lawyers was supplemented by new paragraph 2-1, and Article 18(4) of this Law was amended;

• Article 11 of the RK Law on Payments and Fund Transfers was amended;

• Article 21(2)(10) of the RK Law on Auditing was amended;

• Article 43(3)(3-1) of the RK Law on Securities Market was amended;

• Article 27(1)(2-1) of the RK Law on Government Registration of Real Estate Title was amended;

• Article 24(3)(6) of the RK Law on Commodity Exchanges was amended;

• Article 1 of the RK AML/CFT Law was supplemented by new paragraph 2-1, and Article 3(1)(7) and Articles 4, 10, 11, 12, 13, 18 and 19 of this Law were amended;

• Article 16(3) of the RK Law on Government Oversight and Supervision in the Republic of Kazakhstan was supplemented by new subparagraph 9;

• Article 30(1) and Article 20(4)(2) of the RK Law on National Security were amended.

1.5 The RK Law on Microfinance Organizations of 26.11.2012 (which superseded the RK Law on Microcredit Organizations of March 6, 2003);

1.6 RK Law No.63-V of January 8, 2013 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Terrorism which amended Article 233-3 of the RK Criminal Code and Article 14-1 of the RK Law on Combating Terrorism;

1.7 RK Law No.202-V of May 16, 2014 on Permits and Notices;

1.8 RK Presidential Decree No.819 of May 23, 2014 on Adoption of the List of Competent Authorities under the CIS AML/CFT Agreement;

1.9 RK Law No.206-V ZRK of 10.06.2014 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism.

This Law:

- *Extends the list of entities that are subject to financial monitoring by including professional accountants, accounting organizations, microfinance organizations and e-money operators into this list;*
- *Directly prohibits to incorporate and operate shell banks, to establish correspondent relationships with shell banks and to open anonymous accounts or accounts in fictitious names;*
- *Introduces the "beneficiary owner" definition;*
- *Requires to conduct due diligence on beneficiary owners;*
- *Requires to report suspicious transactions, including attempted transactions;*
- *Establishes additions requirements for internal control rules and procedures of entities that are subject to financial monitoring;*
- *As for CDD and internal control rules, entities that are subject to financing monitoring are obliged to: verify customer's identity prior to or during establishment of business relationship; have the ML/FT risk management program that covers, among other things, risks related to misuse of technological developments (new technologies); and have effective system of AML/CFT professional development training of personnel.*
- *Establishes the mandatory requirement for entities that are subject to financial monitoring to examine customers' complex and unusually large transactions that have no obvious economic or visible lawful purpose and to set forth findings in writing;*
- *Obliges branches and subsidiaries of entities that are subject to financial monitoring to comply with the AML/CFT requirements in force in both home and host countries;*
- *Obliges entities that are subject to financial monitoring to refuse to establish business relationships with individuals and legal entities where it is impossible to undertake CDD measures.*

In a situation where the designated government agency includes a natural person or a legal entity into the list entities and individuals linked to financing of terrorism and extremism, the said Law obliges entities that are subject to financial monitoring to suspend all debit transactions carried out through accounts of such persons, freeze securities transactions and refuse to carry out transactions through accounts, except for transactions authorized by court rulings, funds collection orders and resolutions of the tax and customs authorities.

The said Law introduced amendments and modifications into the following RK Codes and Laws:

• Article 156(4) of the RK Civil Code (General Part) was amended;

• The RK Criminal Code was supplemented by new Articles 205-2 and 205-3, and Article 193 was amended;

• Article 192 of the RK Criminal Procedure Code was amended;

• Article 765(7) of the RK Civil Code (Special Part) was amended;

• Article 168-3 of the RK Code of Administrative Offences was amended;

• Article 10(1) of the RK Customs Code was supplemented by new subparagraph 19, and Article 16 was amended;

• Article 8(33) of the RK Law on the National Bank was amended;

• Article 8(1) and (2) and Article 46(8) of the RK Law on Banks and Banking Activity were amended; Article 47 was supplemented by new paragraph 9; paragraphs 1-2 and 1-3 of Article 48 were deleted, and Article 50(4)(2)(2) and Article 51(1)(3) were amended;

• Article 12(22) of the RK Law on National Security Agencies was amended;

• Article 5-3 of the RK Law on Real Estate Mortgage was supplemented by new subparagraph 6-1;

• Article 10(2)(3-1), Article 18(2), Article 31(3-1) and Article 33(1)(4-1) of the RK Law on Notaries were amended;

• Article 11(2-1) and Article 18(4) of the RK Law on Lawyers were amended;

• Article 6(1-1) of the RK Law on Payments and Fund Transfers was supplemented by new subparagraph 3, Article 11(4), Article 18(1)(4), Article 35(5) and Article 36-1(9) were amended;

• Article 10(1)(4) of the RK Law on Registration of Movable Property Pledges was amended;

• Article 9(10)(2) of the RK Law on Combating Corruption was amended;

• Article 7(14-1), Article 20(2)(4) and Article 21(2)(10) of the RK Law on Auditing were amended;

• Article 7(6) of the RK Law on Combating Terrorism was amended;

• Article 43(14-1), Article 48(1) and (2), Article 54(1)(11) and Article 55(1)(7) of the RK Law on Insurance were amended;

• Article 12(2) of the RK Law on Justice Authorities was amended;

• Article 8(1)(10) of the RK Law on Financial Police Agencies was amended;

• Article 6(2) of the RK Law on Postal Services was supplemented by new subparagraphs 3 and 4;

• Article 3-1(1), Article 51(1)(11) and (4)(3-1) and Article 56-1(4)(1) of the RK Law on Securities Market were amended;

• Article 9(2-1) of the RK Law Government Regulation, Monitoring and Supervision of Financial Market and Financial Institutions was amended;

• Article 7(2)(9) of the RK Law on Government Legal Statistics and Special Records was amended, and Article 12(3) was supplemented by new subparagraphs 16, 17 and 18;

• Article 8(1)(2) and Article 12 of the RK Law on Gambling were amended;

• Article 21(9) of the RK Law on Accounting and Financial Reporting was supplemented by new subparagraphs 6 and 7;

• Article 27(1)(2-1) of the RK Law Government Registration of Real Estate Title was amended;

• Article 24(3)(6) of the RK Law on Commodity Exchanges was amended;

• The RK AML/CFT Law was amended, in particular: Article 1, Article 2(1) and Article 3(1)(1) and (8) were amended; Article 3(1) was supplemented by new subparagraphs 11 and 12; Article 4(3) and (4) was amended, Article 5: paragraphs 1, 2 and 3(1) and (2) were amended, paragraph 3 was supplemented by new subparagraph 2-1, subparagraph 3 was deleted, paragraph 3(5) was amended, new paragraph 3-1 was added, paragraph 4 was amended, and new paragraphs 5 and 6 were added; Article 6, Article 7, Article 8, Article 9 and Article 10(2)(2) and (3) were amended; Article 10 was supplemented by paragraph 3-1; Article 11(3) was amended; Article 11 was supplemented by new paragraphs 3-1 and 3-2; Article 11(4) and (5) was amended; Article 12(1) was supplemented by new subparagraph 2; Article 12(3) and (4)(6) was amended and paragraph 6 was deleted; Article 13(1) was amended, Article 13 was supplemented by new paragraph 1-1, Article 13(2), (3) and (5) was amended and Article 13was supplemented by new paragraphs 5-1 and 5-2; Article 12(6), Article 14, Article 15(1-5), Article 16(4-1), (5), (12) and (13) and Article 17(1)(3), (4) and (6) were amended; Article 17 was supplemented by new paragraph 7; Article 17(2)(1), Article 18(1)(1) and (2) and Article 18(3)(1) and (2) were amended; Article 18 was supplemented by new paragraphs 3, 4 and 5-1; Article 18(6) and Article 19(1) and (2) were amended; Article 19 was supplemented by new paragraph 4; Article 19(4)(1)(1) and (3) and Article 20(1) were amended;

• Paragraph1(56) of the Annex to the RK Law on Government Oversight and Supervision in the Republic of Kazakhstan was amended;

• Article 15(1)(14) of the RK Law on National Security was amended;

• Article 7(2) of the RK Law on Microfinance Organizations was supplemented by new subparagraph 5-1, Article 27 was supplemented by new paragraph 6-1;

• Article 55(8)(1)(3) of the RK Law on Pension Coverage was amended.

1.10 RK Presidential Decree No.838 of June 17, 2014 on Adoption of the Agreement on Establishing the Council of the Heads of FIUs of the CIS-Member Countries;

1.11 RK Criminal Code No.226-V ZRK of July 3, 2014;

1.12 RK Criminal Procedure Code No.231-V ZRK of July 4, 2014;

1.13 RK Code of Administrative Offences No.235-V ZRK of July 5, 2014;

1.14 RK Presidential Decree No.875 of August 6, 2014 on Restructuring the RK Public Administration System;

1.15 RK Presidential Decree No.883 of August 6, 2014 on Further Improvement of the RK Public Administration System;

1.16 RK Law No.244-V ZRK of November 3, 2014 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Extremism and Terrorism;

1.17 RK Law No.310-V ZRK of April 24, 2014 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Gambling;

1.18 RK Presidential Decree No.46 of June 30, 2015 on Adoption of Protocol on Amendments to the Agreement on Establishing the Council of the Heads of FIUs of the CIS-Member Countries;

1.19 RK Law on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism. On July 14, 2015, this Law No. _____ of _____ 2015 was adopted by the RK Parliament and submitted to the RK President for signature.

This Law:

- *Introduces the concepts of "government AML/CFT policy" and "freezing";*
- *Identifies the ML/FT risk assessment areas based on the outcomes of regular risk studies/researches;*
- *Specifies measures to be undertaken by entities that are subject to financial monitoring for conducting enhanced and simplified due diligence on their customers;*
- *Extends the list of entities that are subject to financial monitoring;*
- *Establishes the procedure of the so-called "record registration" of unregulated entities that are subject to financial monitoring by filing notices in compliance with the Law on Permits and Notices;*
- *Establishes the mechanism of freezing assets of individuals and entities linked to financing of terrorism and extremism;*
- *Clarifies the powers of professional association of entities that are subject to financial monitoring as they pertain to monitoring of compliance by their members with the AML/CT legislation;*
- *Clarifies approaches towards establishment of mechanism of delisting from the list of entities and individuals linked to financing of terrorism and extremism;*
- *Improves the legal mechanism of communicating the list of entities and individuals linked to financing of terrorism and extremism;*
- *Establishes the mechanism for providing access to a portion of suspended (frozen) assets needed for covering the basic expenses of the listed entities and individuals linked to financing of terrorism and extremism;*
- *Imposes additional liability on entities that are subject to financial monitoring for non-compliance with the AML/CFT legislation, in particular, for failure to provide information at the request of the designated government authorities.*

The said Law introduced amendments and modifications into the following RK Codes and Laws:

• Article 328(5) of the RK Civil Code (General Part) was supplemented by new subparagraph 3 and new paragraph 7 was added to Article 328;

• Article 218 of the RK Criminal Code was amended;

• Articles 214, 462 (Note) and 804 of the RK Code of Administrative Offences were amended, and Article 477 was supplemented by new paragraph 2-1;

• Article 11(1) of the RK Law on Government Registration of Legal Entities and Record Registration of Branches and Representative Offices was supplemented by new subparagraph 4-1;

• Article 50(4)(2)(1-1) of the RK Law on Banks and Banking Activity was amended;

• Article 27(1) of the RK Law on Notaries was supplemented by new subparagraph 3-1;

• Article 24(2) of the RK Law on Lawyers was supplemented by new subparagraph 8-1;

• Article 9(3) of the RK Law on Combating Terrorism was amended;

• Article 10 of the RK Law on Financial Leasing was amended, and Article 11(2) was supplemented by new subparagraph 4;

• Article 20 of the RK Law on Non-Profit Organizations was supplemented by new paragraph 3;

• Article 5 of the RK Law on Postal Services was supplemented by new paragraph 6;

• Article 31(1) of the RK Law on Government Registration of Real Estate Title was supplemented by new subparagraph 1-1;

• The RK AML/CFT Law was amended, in particular: Article 1 was supplemented by new paragraphs 2-1, 2-2, 11-1 and 12-1 and paragraphs 10, 11 and 14 were amended; Article 3 was supplemented by new subparagraphs 13, 14, 15, 16 and 17 and by new paragraph 3; Article 4(1) and (4) was amended and Article 4(2) was supplemented by new subparagraphs 20 and 21; Article 5(6)(1) was amended and Article 5 was supplemented by new paragraph 7; Article 7(1) was amended; Article 9(1) was amended and Article 9 was supplemented by new paragraph 2-1; Article 10(2)(1), (2)(3) and (3-1) was amended; Article 12(3-2), (5), (6) and (7) was amended; new Article 11-1 was added; Article 12(1), Article (1-1)(1)(1) and (5) and Article (2)9$) were amended; Article 13(5) was amended; Article 16 was supplemented by new paragraphs 13-1, 13-2, 13-3 and 13-4; Article 17(1)(1), (2) and (4), Article 17(2)(2) and Article 17(1)(1) and (3) were amended and Article 17(2) was supplemented by new subparagraphs 1-1 and 1-2; Article18(4) was amended; Article 19(2)(2) and (3), Article 19(3)(1),(2) and (3), Article 19(4)(1) and (2) and Article 19(4)(3) were amended; and Article 20(2) was amended;

• Article 68(1) of the RK Law on Road Traffic was supplemented by new subparagraph 6-1;

• Article 6(1)(48) of the RK L on Internal Affairs Agencies was amended;

• Annex 3 to the RK Law on Permits and Notices was supplemented by new paragraph 35.

The efforts undertaken by the Committee since June 2011 through July 2015 were focused on addressing the following issues:

Domestic AML/CFT Cooperation

The Interagency Commission consisting of the heads of the government authorities, special government and law enforcement agencies and representatives of public associations facilitates coordination of the AML/CFT efforts undertaken by the government authorities.

In the reporting period, the Committee held 5 meetings of the Interagency Commission to prepare for the presentation of the follow-up reports of Kazakhstan, to enhance coordination and cooperation among the members of the financial monitoring system and to discuss and address other important and urgent issues.

The following Agreements were signed for enhancing effectiveness of cooperation between the special government authorities and law enforcement agencies of the Republic of Kazakhstan:

Agreement on coordination and cooperation for combating ML/FT and for preventing and disrupting offences related to evasion of tax and other obligatory budgetary payments was signed between the Committee and the Tax Committee of the Finance Ministry on December 30, 2013;

Agreement on coordination and cooperation for combating ML/FT and for preventing, detecting, disrupting, exposing and investigating economic and financial crimes and offences was signed between the Committee and the State Revenue Committee of the Finance Ministry on January 10, 2015.

As a result of the efforts undertaken for establishing cooperative relationships with the government regulators, the AML/CFT Cooperation Agreements were signed among the Finance Ministry, the National Bank, the Ministry of Economy and Budget Planning, the Sports and Physical Training Agency, the Financial Control Committee and the Committee.

Besides that, the Committee signed similar Memoranda with the Kazakh Association of Microfinance Organizations, the Kazakh Association of Financiers, the RK Chamber of Auditors, the RK Chamber of Notaries, the Kazakh Chamber of Professional Accountants, the Association of Agricultural Credit Cooperatives and the Kazakh Association of Bookmakers and Betting Houses.

The Committee actively pursues the outreach and awareness raising campaign among the entities that are subject to financial monitoring under the aforementioned agreements.

In particular, the representatives of the Committee held around 100 training courses and workshops for entities that are subject to financial monitoring, their public associations and the government agencies across the entire Kazakhstan. These training events covered the issues pertaining to application/ enforcement of the AML/CFT legislation, analysis and IT technologies.

The Committee is engaged in regular outreaches to the entities that are subject to financial monitoring via is official website, the support service hotline and mass media for enhancing effectiveness of information and technical support. In the reporting period, over four thousand calls from entities that are subject to financial monitoring were received through the support service hotline, and online clarifications were provided on how to complete certain lines of Form FM-1 (adopted by RK Government Resolution No.1484 of November 23, 2012) and on how to submit reports on transactions that are subject to financial monitoring via the official website of the Committee (WEB-SFM).

The Committee undertook, with the support of the OSCE, the large-scale efforts to develop and adopt the Guide for entities that are subject to financial monitoring pertaining to compliance with the national AML/CFT legislation and application of risk-based approach.

The compilation of questions received from entities that are subject to financial monitoring and answers to them was posted on the official website of the Committee.

This March, the Agreement on Cooperation between the Financial Academy and the Committee was signed, under which the 2015 Interaction and Coordination Plan was adopted. The Agreement provides for engagement of the Committee's staff, as instructors, in training of both the Academy students and the representatives of entities that are subject to financial monitoring. Besides that, it is planned to conduct joint AML/CFT studies and researches.

In April 2015, the senior managers of the Committee delivered introductory lectures to the Academy students.

As new amendments and modifications are introduced into the AML/CFT legislation, the Committee continuously updates the unified information system used for receiving reports filed by entities that are subject to financial monitoring.

International AML/CFT Cooperation

The Committee is authorized to represent Kazakhstan in a number of international AML/CFT organizations and associations.

In the reporting period, the efforts undertaken by Committee at the international level were focused on more active participation of Kazakhstan in the international forums and on extension of bilateral cooperation.

Since 2011, the Committee is the full member of the Egmont Group of Financial Intelligence Units. Membership in this Group allows the Committee, like other FIUs, to promptly access information needed by the law enforcement agencies for detection potential criminal offences.

Since 2013, the representative of Kazakhstan holds the position of the deputy chairman of the EAG.

In the reporting period, the Committee signed the bilateral agreements with the financial intelligence units (FIUs) of 14 countries. The efforts aimed at signing similar agreement with other FIUs will be continued.

In the reporting period the following projects were successfully implemented under the RK Government/ World Bank Joint Economic Research Program:

1. Study of alternative remittance systems in Kazakhstan;

2. National ML/FT risk assessment;

3. Workshops for the representatives of the Committee, special government agencies and private sector that covered the following issues:

- Application/ enforcement of the AML/CFT legislation and cooperation and coordination among the government AML/CFT authorities;
- Implementation of the RK AML/CFT Law and cooperation between the public and private sectors;
- AML/CFT supervision and development of methodology of auditing entities that are subject to financial monitoring.

4. Regional training courses for the representatives of the FIUs of Azerbaijan, Armenia, Afghanistan, Belarus, Iran, Kazakhstan, Kyrgyzstan, Moldova, Pakistan, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine covering the following topics:

- Tactical analysis;
- Interaction and information exchange among FIUs.

5. The WB leading experts provided technical assistance in reviewing the draft AML/CFT Law, consulted the Committee's staff on establishment of AML/CFT database and advised the representative of the RK government authorities on how to implement recommendations specified in the EAG Mutual Evaluation Report.

6. Regional strategic analysis workshop for FIU analysts;

7. Workshop for assisting the government authorities in implementing the international standards pertaining to physical transportation of cash and bearer negotiable instruments.

This July, the workshop "E-money: Ecosystem, Technologies, ML/FT Risks and Mitigation Measures" was held by the Committee jointly with the OSCE Program Office in Astana.

For studying the international AML/CFT experience and best practices the Committee's staff participate in the training workshops at the invitation of the OSCE, UNODC, US Embassy, etc.

2. The following Resolutions of the Government of the Republic of Kazakhstan were developed and adopted

2.1 RK Government Resolution No.1483 of November 23, 2012 on Adoption of the Regulation on Provision by the RK Government Authorities of Information from their Information Systems and Databases at the Request of the Designated Financial Monitoring Agency;

2.2 RK Government Resolution No.1484 of November 23, 2012 on Adoption of the Regulation on Submission by Entities that are Subject of Financial Monitoring of Information on and Details of Transactions that are Subject to Financial Monitoring and the Criteria for Identifying Suspicious Transactions;

2.3 RK Government Resolution No.1653 of December 21, 2012 on Certain Issues Pertaining to Licensing of Commodity Exchanges and Exchange Brokers and Dealers;

2.4 RK Government Resolution No.1435 of December 31, 2014 on Amendments and Modifications to RK Government Resolution No.1484 of November 23, 2012 on Adoption of the Regulation on Submission by Entities that are Subject of Financial Monitoring of Information on and Details of Transactions that are Subject to Financial Monitoring and the Criteria for Identifying Suspicious Transactions.

3. The following Orders of the Government Authorities and Resolutions of the Board of the National Bank of the Republic of Kazakhstan were developed and adopted

3.1 RK National Bank Board Resolution No.102 of August 26, 2011 on Adoption of the Regulation on Issuance, Use and Redemption of E-Money and the Requirements for Kazakhstan-Based E-Money Issuers and E-Money Systems. Clause 39 of this Regulation was amended;

3.2 RK National Bank Board Resolution No.132 of September 30, 2011 on Amendments and Modifications to RK National Bank Board Resolution No.266 of June 2, 2000 on Adoption of the Regulation on Opening, Maintaining and Closing Customers' Accounts in Banks of the Republic of Kazakhstan. Clause 6-1 of RK National Bank Board Resolution No.266 was amended;

3.3 RK National Bank Board Resolution No.72 of January 16, 2012 on Adoption of the Postal Communication Service Regulation and the Postal Stamp Regulation;

3.4 RK National Bank Board Resolution No.99 of February 24, 2012 on Adoption of the Requirements for Risk Management and Internal Controls System of Insurance Groups;

3.5 RK National Bank Board Resolution No.76 of February 24, 2012 on Adoption of the Regulation on Setting up Risk Management and Internal Controls System of Pension Savings Funds and Pension Fund Management Companies. This Regulation specifies the procedure of setting up the risk management and internal controls system by pension savings funds and (or) pension fund management companies. Clause 13 of the Regulation stipulates that the internal controls system shall include: "… (10) prevention of misuse of the services provided by a fund (company) for criminal purposes and for ML and FT purposes;

3.6 RK National Bank Board Resolution No.166 of April 28, 2012 on Adoption of the Regulation on Application of Restrictive Measures against Pension Savings Fund and (or) those Appearing to be the Major Shareholders, and Major Shareholders of Pension Savings Fund;

3.7 RK National Bank Board Resolution No.167 of April 28, 2012 on Adoption of the Regulation on Application of Restrictive Measures against Securities Market Players and (or) those Appearing to be the Major Players, and Major Shareholders of Pension Fund Management Company;

3.8 RK National Bank Board Resolution No.276 of August 24, 2012 on Adoption of the Requirements for Risk Management and Internal Controls System of Entities Acting in the Capacity of Securities Holders Registrars and on Amendments to Certain RK Regulations;

3.9 Joint Order No.454 of the Interior Ministry and the Finance Ministry of October 4, 2012 on Adoption of the Regulation on Coordination and ML/FT Information Sharing among the General Prosecutor's Office, National Security Committee, Agency for Combating Economic and Corruption Crime and Syrbar Foreign Intelligence Service;

3.10 RK National Bank Board Resolution No.317 of October 29, 2012 on Adoption of the Regulation on Application of Restrictive Measures against the Second-Tier Banks, Institutions Engaged in Certain Types of Banking Operations, Major Members/Shareholders of Banks, Banking Holding Companies and Members of Banking Groups and also against those Appearing to be the Major Members/ Shareholders or Banking Holding Company as well as against Major Members/ Shareholder of Banks, Banking Holding Companies or Corporate Members of Banking Groups;

3.11 Joint Order No.202 of the Anti-Corruption and Economic Crime Agency, the Interior Ministry and the Finance Ministry of April 23, 2013 on Adoption of the Regulation on Coordination and Cooperation among the RK Financial Police, Internal Affairs Agencies, Customs Authorities and Designated Financial Monitoring Agency in Combating Laundering of Proceeds from Illicit Trafficking in Narcotic Drugs, Psychotropic Substances and their Precursors;

3.12 RK National Bank Board Resolution No.117 of April 26, 2013 on Amendments and Modifications to Certain Regulations Pertaining to Payments and Fund Transfers/Remittances;

3.13 RK National Bank Board Resolution No.183 of July 26, 2013 on Adoption of the Regulation on Application of Restrictive Measures against Securities Market Players and (or) those Appearing to be the Major Players, and Major Investment Management Companies;

3.14 RK National Bank Board Resolution No.182 of July 26, 2013 on Adoption of the Regulation on Application of Restrictive Measures against the Unified Pension Savings Fund and Voluntary Pension Savings Funds;

3.15 RK National Bank Board Resolution No.183 of July 26, 2013 on Adoption of the Regulation on Application of Restrictive Measures against Securities Market Players and (or) those Appearing to be the Major Players, and Major Investment Management Companies;

3.16 RK National Bank Board Resolution No.183 of August 27, 2014 on Adoption of the Regulation on Application of Restrictive Measures against Entities Operating in the Securities Market in the Capacity of Brokers, Dealers and Investment Managers;

3.17 RK National Bank Board Resolution No.240 of August 27, 2013 on Adoption of the Regulation on Setting up Risk Management and Internal Controls System of the Unified Pension Savings Fund and Voluntary Pension Savings Funds;

3.18 RK National Bank Board Resolution No.29 of February 26, 2014 on Adoption of the Regulation on Setting up Risk Management and Internal Controls System of the Second-Tier Banks;

3.19 RK National Bank Board Resolution No.62 of April 23, 2014 on Amendments and Modifications to RK National Bank Board Resolution No.266 of June 2, 2000 on Adoption of the Regulation on Opening, Maintaining and Closing Customers' Accounts in Banks of the Republic of Kazakhstan;

3.20 RK National Bank Board Resolution No.117 of August 27, 2014 on Amendments and Modifications to Certain RK Regulations;

3.21 RK Finance Minister's Order No.521 dated November 26, 2014 and RK National Bank Board Resolution No.235 dated December 24, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of the Second-Tier Banks and the National Postal Service Operator;

3.22 RK Finance Minister's Order No.523 dated November 26, 2014 and RK National Bank Board Resolution No.238 dated December 24, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Insurance (Reinsurance) Institutions and Insurance Brokers;

3.23 RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of the Unified Pension Savings Fund and Voluntary Pension Savings Funds;

3.24 RK Finance Minister's Order No.519 dated November 26, 2014 and RK National Bank Board Resolution No.237 dated December 24, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of the Stock Exchange;

3.25 RK Finance Minister's Order No.522 dated November 26, 2014 and RK National Bank Board Resolution No.240 dated December 24, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Professional Securities Market Players and the Central Depository;

3.26 RK Finance Minister's Order No.518 dated November 26, 2014 and RK National Bank Board Resolution No.236 dated December 24, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Institutions Engaged in Certain Types of Banking Operations, Except for Interbank Wire Transfer System Operator and Microfinance Organizations;

3.27 Joint RK Finance Minister's Order No.531 of November 28, 2014 and Justice Minister's Order No.360 of December 11, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Notaries;

3.28 RK Finance Minister's Order No.526 of November 27, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Audit Firms;

3.29 RK Finance Minister's Order No.477 of November 5, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Accounting Organizations and Independent Accounting Professionals ("professional accountants engaged in entrepreneurial activities");

3.30 Joint RK Finance Minister's Order No.532 of November 28, 2014 and acting National Economy Minister's Order No.119 of November 28, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Commodity Exchange;

3.31 Joint RK Finance Minister's Order No.499 of November 19, 2014 and Investment and Development Minister's Order No.182 of November 25, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Postal Service Operators that Render Remittance Services;

3.32 Joint RK Finance Minister's Order No.527 of November 27, 2014 and Culture and Sports Minister's Order No.112 of November 26, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Gambling and Lottery Operators;

3.33 RK Finance Minister's Order No.533 of November 28, 2014 on Adoption of Personnel Training and Education Requirements for Entities that are Subject to Financial Monitoring;

3.34 RK Finance Minister's Order No.506 of November 20, 2014 on Amendments into RK Finance Minister's Order No.56 of February 12, 2010 on Adoption of the List of Documents Required for Performing CDD by Entities that are Subject to Financial Monitoring;

3.35 Joint RK Finance Minister's Order No.49 of January 23, 2015 and RK National Bank Chairman's Order No.75 of February 6, 2015 on Adoption of the Methodology of Monitoring and Financial Analysis of "Shadow Financial Service Schemes" Used for Laundering Funds through Securities Market and E-Money Systems;

3.36 RK Finance Minister's Order No.48 of January 23, 2015 on Adoption of the Methodology of Monitoring and Financial Analysis of "Shadow Financial Service Schemes" Used for Laundering Funds through Non-Bank Financial Institutions;

3.37 RK Finance Minister's Order No.345 of June 3, 2015 on Adoption XML Format of Reports Filed by Entities that are Subject to Financial Monitoring Electronically.

II. CURRENT ACTIVITIES

The Committee has compiled the list of regulations that should be adopted for implementing the RK Law on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism (the Law has been submitted to the RK President for signature). The said list will be adopted by the RK Prime Minister.

In this context, the Committee has drafted the following Regulations:

1) The RK Government Resolution on Amendments and Modifications to RK Government Resolution No.1484 of November 23, 2012 on Adoption of the Regulation on Submission by Entities that are Subject of Financial Monitoring of Information on and Details of Transactions that are Subject to Financial Monitoring and the Criteria for Identifying Suspicious Transactions;

2) On Amendments and Modifications to RK Finance Minister's Order No.430 of October 10, 2014 on Adoption of the Statute of the Financial Monitoring Committee of the RK Ministry of Finance;

3) On Adoption of the Regulation on ML and FL Risk Assessment;

4) On Adoption of the Methodology of Gathering Information from the Government Agencies and Entities that are Subject to Financial Monitoring for Assessing ML and FT Risks;

5) On Amendments and Modifications to RK Finance Minister's Order No.477 of November 5, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Accounting Organizations and Independent Accounting Professionals ("professional accountants engaged in entrepreneurial activities");

6) On Amendments and Modifications to RK Finance Minister's Order No.526 of November 27, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Audit Firms;

7) On Amendments and Modifications to joint RK Finance Minister's Order No.532 of November 28, 2014 and acting National Economy Minister's Order No.119 of November 28, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Commodity Exchange;

8) On Amendments and Modifications to joint RK Finance Minister's Order No.531 of November 28, 2014 and Justice Minister's Order No.360 of December 11, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Notaries;

9) On Amendments and Modifications to joint RK Finance Minister's Order No.527 of November 27, 2014 and Culture and Sports Minister's Order No.112 of November 26, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Gambling and Lottery Operators;

10) On Amendments and Modifications to joint RK Finance Minister's Order No.499 of November 19, 2014 and Investment and Development Minister's Order No.182 of November 25, 2014 on Adoption of the Requirements for AML/CFT Internal Control Rules of Postal Service Operators that Render Remittance Services;

11) On Adoption of the Requirements for AML/CFT Internal Control Rules of Individual and Corporate Dealers in Precious Metals, Precious Stones and Articles Made thereof;

12) On Adoption of the Requirements for AML/CFT Internal Control Rules of Individual and Corporate Leasing Entities Operating in the Capacity of Unlicensed Lessors;

13) On Adoption of the Requirements for AML/CFT Internal Control Rules of Pawnshops;

14) On Adoption of the Requirements for AML/CFT Internal Control Rules of Third-Party Payment Processors;

15) On Adoption of the Requirements for AML/CFT Internal Control Rules of Individual and Corporate Real Estate Agents;

16) On Adoption of the Requirements for AML/CFT Internal Control Rules of Non-Bank E-Money Operators;

17) On Adoption of the Requirements for AML/CFT Internal Control Rules of Independent Legal Professionals;

18) On Adoption of the Requirements for AML/CFT Internal Control Rules of Lawyers;

19) On Adoption of the Requirements for AML/CFT Internal Control Rules of Credit Cooperatives;

20) On Adoption of the Regulation on Providing Access to Funds Needed for Covering Basic Expenses of Natural Persons Included in the List of Individuals and Entities Linked to Financing of Terrorism and Extremism;

21) On Adoption of the Regulation on Compiling the List of Individuals and Entities Linked to Financing of Terrorism and Extremism and Communicating it to the Government Authorities.

The RK National Bank has drafted the Law on Payments and Payment Systems that creates the legal and institutional framework for operation of payment systems, specifies the types of payment services and procedure of their provision, establishes the legal framework for regulating the activities of the payment services market operators, defines the rights and obligations of the payment services market operators, and regulates relationships associated with payments and fund transfers in the Republic of Kazakhstan. Being developed are the requirements for incorporation (authorized capital, name) of payment service providers, including organizations that accept cash, inter alia, via electronic terminals, from public as payment for the provided services under agency contracts signed with service providers, and the procedure of their "record registration" by the RK National Bank.

It is planned to submit this draft Law for consideration of the RK Parliament in December 2015.

Besides that, the Committee undertakes efforts to revise the existing cooperation agreements with the government authorities and orders signed jointly with the law enforcement agencies, and keeps on cooperating with all AML/CFT system stakeholders.

III. CONCLUSION

In general, the work performed by the Committee over the reporting period was focused on elimination of deficiencies in respect of the Core, Key and other Recommendations.

Committee of Financial Monitoring
of the Ministry of Finance
of the Republic of Kazakhstan

ANNEX 2

THE REPUBLIC OF KAZAKHSTAN

SECOND FOLLOW-UP REPORT TABLE (2014)

I. Actions Taken in Relation to the Core Recommendations (R.1, R.5, R.13, SR.II and SR.IV)

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
1. ML Offence	1. Conversion and transfer of property, knowing that it represents the proceeds of crime, are not directly (explicitly) criminalized.	Actions involving conversion and transfer of property which is the proceeds of crime that have not been covered by the criminal legislation of the Republic of Kazakhstan at the time of mutual evaluation are now criminalized. RK AML/CFT Law V of 2014 amended the RK Criminal Code adopted in 1997. The revised Article 193(1) of the Kazakh Criminal Code reads as follows: "1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of crime, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of crime, as well as ownership or use of such property (assets) –". (This version was in effect until January 1, 2015). On July 3, 2014, the President of the Republic of Kazakhstan approved the new Criminal Code of 2014 which came into force on January 1, 2015. Since January 1, 2015, Article "Legalization (laundering) of Funds and (or) other Property (assets) Obtained through Crime" reads as follows: "Article 218. Legalization (laundering) of Funds and (or) other Property (assets) Obtained through Crime 1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal and (or) administrative offences, and also concealment

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal and (or) administrative offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime, where such actions are committed on a large scale – is punishable by imposition of a fine in amount of up to three thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for up to three years, or by imprisonment for the same period with forfeiture of property (assets). 2. The same actions, if: 1) committed by a group of persons upon prior conspiracy; 2) committed repeatedly; 3) committed by a person abusing his/her official position, – are punishable by imposition of a fine in amount of up to five thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for up to five years, or by imprisonment for the same period with forfeiture of property (assets). 3. Actions covered by the first or the second clauses of this Article, if: 1) committed by a person entrusted with public functions, or by a person having equal status, or by an executive officer, or by a person holding an important public office, by abusing his/her official position; 2) committed by a criminal group; 3) committed on a large scale, – are punishable by imprisonment for a period from three up to seven years with forfeiture of property (assets), and in situations covered by paragraph (1) with a lifetime prohibition to hold certain job positions or be engaged in certain types of activities. Note: A person who voluntarily provides a report on legalization (laundering) of funds and (or) other property (assets) obtained through crime, which is in preparation or has taken place, shall be exempt from criminal liability, unless his/her actions constitute the crimes covered by the second or third clauses of this Article or other criminal offence”.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		Besides that, on July 14, 2015, the RK Parliament adopted and submitted for the approval of the RK President the AML/CFT Law of 2015. According to this Law Article 218(1) of the RK Criminal Code of 2014 is amended to read as follows: "1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal offences, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime, where such actions are committed on a large scale, – ". Please, note that by the time of consideration of the third follow-up report of Kazakhstan by the Plenary, the amendments and modifications in the RK Criminal Code will come into force, and the delegations will be notified thereof later.
	2. Concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property, knowing that such property is the proceeds of crime, are not criminalized.	Article 2018 of the RK Criminal Code of 2014 covers these actions. Extract from Article 218 of the Criminal Code: "1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal offences, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal offences ….".
	3. Ownership or use of property obtained through crime for personal benefit/advantages is not covered and criminalized.	Article 2018 of the RK Criminal Code of 2014 covers these actions. Extract from Article 218 of the Criminal Code: "1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal offences, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime, where such actions are committed

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		on a large scale, – ”.
	4. ML offence does not extend to property that indirectly represents the proceeds of crime.	The RK AML/CFT Law of 2014 amended the RK Criminal Code of 1997. In particular, Article 51(1) (Forfeiture of Property) of the Criminal Code is supplemented by the third and the fourth paragraphs which read as follows: “For crimes, covered by Article 193 of this Code, the property obtained through crime or acquired with funds obtained in a criminal manner, transferred, along with the title thereto, by a convict to other persons, shall also be subject to forfeiture, alongside with the property of the convicted person. For terrorist offenses, property other than that of the convicted person obtained through crime, used or intended to be used to finance terrorist activities, shall also be subject to forfeiture”. On July 3, 2014, the President of the Republic of Kazakhstan approved the new Criminal Code of 2014 which came into effect on January 1, 2015, except for Article 51 (Forfeiture of Property) which will cease to be in force on January 1, 2018. The revised Article “Forfeiture of Property” will come into force on January 1, 2018 and will read as follows: “Article 48. Forfeiture of Property 1. Forfeiture of property means forced non-repayable seizure and appropriation by the state of property owned by a convict that was obtained in unlawful manner or acquired with funds obtained in unlawful manner and also property that is instrumentalities used for committing a criminal offence. 2. Subject to forfeiture shall be funds and other property (assets): 1) which are obtained through a criminal offence and any income derived from such property (assets), except for property (assets) and income derived therefrom that shall be returned to a legitimate owner; 2) into which property (assets) obtained through criminal offence and income derived from such property (assets) is partially or fully converted or transferred; 3) which are used or intended to be used for financing or providing other support to extremist or terrorist activities or to a criminal group; 4) which are instrumentalities used for committing a criminal offence.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		3. If at the time when court rules forfeiture of a certain item that is part of property (assets) listed in the first and second clauses of this Article, forfeiture of such item is impossible due to it utilization, sale or other reasons, the court shall order forfeiture of funds in amount corresponding to the value of such item. 4. In the situations specified in Section 15 of the RK Criminal Procedure Code, forfeiture may be imposed by a court as a criminal sanction". Besides that, attached to the letter (Ref. No. F-1-16/1364-I dated September 25,2014) sent by the RK Financial Monitoring Committee to the EAG Secretariat were the copies of 4 court convictions officially provided by the General Prosecutor's Office. This information demonstrates that the requirements of Recommendation1, as it pertains to criminalization of property (assets) that is indirect proceeds of a crime, are actually implemented in Kazakhstan.
	5. The crime of terrorist financing is not the predicate offence for money laundering.	Article 233-3 of the RK Criminal Code, which covers financing of terrorist or extremist activities and other support of terrorism or extremism, reads as follows: 1. Deliberate provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting terrorist group, terrorist or extremist organization and (or) illegal armed group, – is punishable by imprisonment for up to five years with forfeiture of property (assets). 2. The same actions committed repeatedly, - are punishable by imprisonment for three up to eight years with forfeiture of property (assets). Note. A person who finances terrorist or extremist activities or otherwise supports terrorism or extremism under threat of violence and who voluntarily reports this and actively contributes to disclosure or suppression of a crime shall be exempt from

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		liability, unless his/her actions constitute other criminal offence. (This version of the Article was in effect until January1, 2015). Since January 1, 2015, Article 258 of the RK Criminal Code (Financing of Terrorist or Extremist Activities and Other Support of Terrorism or Extremism) reads as follows: 1. Deliberate provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting a terrorist or extremist group, terrorist or extremist organization and (or) illegal armed group, – is punishable by imprisonment for three up to seven years with forfeiture of property (assets). 2. The same actions committed repeatedly, or by a person abusing his/her official position, or by a person entrusted with management functions in a commercial or other organization, or by a leader of a public association, or by a group of persons upon prior conspiracy, or on a large scale, – are punishable by imprisonment for five up to ten years with forfeiture of property (assets). Note. A person who finances terrorist or extremist activities or otherwise supports terrorism or extremism under threat of violence and who voluntarily reports this and actively contributes to disclosure or suppression of a crime shall be exempt from liability, unless his/her actions constitute other criminal offence. Thus, Article 218 of the RK Criminal Code of 2014 imposes criminal liability for integration of funds and (or) other property (assets) obtained through crime, into legal circulation on a large scale.

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		According to Article 1(10) of the RK AML/CFT Law of 2014 proceeds obtained in a criminal manner mean funds and (or) other property (assets) obtained through a criminal and (or) administrative offence. Therefore, money laundering is a predicate offence to all criminal offences covered by the RK Criminal Code of 2014. Investigative jurisdiction over ML and FT is specified in Article 192 of the RK Criminal Procedure Code of 1997. With regard to criminal cases involving offences covered by Article 193 (Clauses 1, 2 and 3(b) and(c)) of the RK Criminal Code of 1997, preliminary investigation is conducted by the law enforcement authorities, national security agencies, anti-corruption agency or financial crime investigation agency, depending on which of these agencies initiated a criminal case. With regard to criminal offences covered by Article 233-3 of the RK Criminal Code of 1997, preliminary investigation is conducted by the national security agencies or financial crime investigation agency, depending on which of these agencies initiated a criminal case. Thus, **the RK Ministry of Internal Affairs** conducts preliminary investigations into ML-related criminal offences. **The RK National Security Committee** conducts preliminary investigations into ML and FT-related criminal offences. **The RK Agency for Fighting Economic and Corruption Crimes** (Financial Police) conducts preliminary investigations into ML and FT-related criminal offences, if a criminal case is initiated by it. **Investigative jurisdiction over ML and FT is specified in Article 187 of the RK Criminal Procedure Code of 2014 (Article 192 of the RK Criminal Procedure Code of 1997).** With regard to criminal cases involving offences covered by Article 218 (Clauses 1, 2 and 3(b) and (c)) of the RK Criminal Code of 2014, preliminary investigation is conducted by the law enforcement authorities, national security agencies, anti-corruption

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		agency or financial crime investigation agency, depending on which of these agencies launched a pre-trial investigation. With regard to criminal offences covered by Article 258 of the RK Criminal Code of 2014, preliminary investigation is conducted by the national security agencies or financial crime investigation agency, depending on which of these agencies launched a pre-trial investigation. Thus, **the RK Ministry of Internal Affairs** conducts preliminary investigations into ML-related criminal offences. **The RK National Security Committee** conducts preliminary investigations into ML and FT-related criminal offences. **The RK Civil Service Affairs and Anti-Corruption Agency** conducts preliminary investigations into ML-related criminal offences. **The State Revenue Committee of the RK Ministry of Finance** conducts preliminary investigations into ML and FT-related criminal offences. **It should be noted that according to Article 187(8) of the RK Criminal Procedure Code of 2014, in a situation where several criminal offences investigated by different preliminary investigation agencies are "merged" into one criminal case, the ultimate investigative jurisdiction is determined by a prosecutor.** Pursuant to Article 24 of the RK Criminal Procedure Code of 2014 **a court, prosecutor, investigator, interrogating officer are obliged to take all measures provided for by law for comprehensive, full and impartial examination of circumstances which are necessary and sufficient for correct settlement of a case**. A court is obliged to examine all presented evidences and evidences contained in a case file in a manner provided for by the Criminal Procedure Code of 2014. A court may not collect, at its own initiative, additional evidences for filling in pre-trial investigation gaps. Criminal prosecution bodies are obliged to discover factual data for establishing circumstances relevant to a case. Subject to proof in criminal case proceedings shall be: 1) Event and elements of a criminal offence provided for by the criminal law (time, place, method and other circumstances related to a crime);

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		2) Who committed an act punishable by the criminal law; 3) Whether a person is guilty of committing an act punishable by the criminal law, form of his guilt, motives, legal and actual errors; 4) Circumstances affecting degree and nature of liability of a suspect/ defendant; 5) Circumstances characterizing the personality of a suspect/ defendant; 6) Implications of a committed criminal offence; 7) Nature and extent of damage inflicted by a criminal offence; 8) Circumstances excluding criminality of committed act; 9) Circumstances that may entail exempt from criminal liability and punishment. Circumstances conductive to perpetration of a criminal offence shall also be discovered. Pursuant to Article 184 of the RK Criminal Code of 2014 discovery of information about a criminal offence in a situation, where an interrogating officer, investigator and/or prosecutor, acting in the official capacity, witness a criminal offence or detect immediate evidences or implications of a criminal offence, shall **trigger a pre-trial investigation**. In such situation, the aforementioned officers shall issue a **report on detection of a criminal offence**. A report on detection of a criminal offence may also be issued based on an independent court resolution containing relevant information. In compliance with Article 179(2) of the RK Criminal Procedure Code of 2014, prior to registration of a criminal offence report and statement, a prosecutor, investigator, interrogating officer and/or interrogating agency shall take prompt investigative actions in order to establish and preserve the evidence of a criminal offence. In parallel, they shall take measures for filing **a criminal offence report and statement with the Integrated Pre-Trial Investigation Register**, *inter alia*, with the use of communication facilities.
	6. Insider trading and market manipulation are not criminalized.	The RK Criminal Code of 1997 was amended by the RK AML/CFT Law of 2014 to include two new Articles: Article 205-2 (Securities Market Manipulation) and Article 205-3 (Misuse of Insider Information). Article 205-2. Securities Market Manipulation 1. Securities market manipulation, if such action has inflicted serious damage to a citizen, organization or the state or was deriving large profits, –

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		is punishable by imposition of a fine from five hundred up to one thousand monthly calculated indices, or by correctional labor for the period up to two years, or by detention under arrest for the period from six months up to two years. 2. The same action, if: 1) committed repeatedly; 2) associated with deriving extra-large profit; 3) committed by a group of person upon prior conspiracy or by an organized group, – is punishable by a fine from one thousand up to two thousand monthly calculated indices, or by imprisonment for the period from one to three years with or without prohibition to hold certain job positions or be engaged in certain types of activities for the period up to three years, with forfeiture of property (assets). Notes. 1. Securities market manipulation is understood in this Article as actions of the securities market entities banned by the RK Law on Securities Market, where such actions are intended for setting and (or) fixing securities' prices at levels above or below those settled as a result of an objective balance of supply and demand, and where such actions are intended for making it look like a security trade. 2. Large-scale damage in Articles 205-2 and 205-3 of this Code is the damage, the amount of which exceeds ten thousand monthly calculated indices. Article 205-3. Misuse of Insider Information 1. Deliberate misuse of insider information for trading in securities and (or) derivatives, illegal disclosure of insider information to third parties, and also recommending or proposing to third parties to trade securities or derivatives based on insider information, if such actions have inflicted serious damage to a citizen, organization or the state or have been associated with deriving large profits, – are punishable by a fine from five hundred up to one thousand monthly calculated indices or in the amount of the wages or other income of a convict for the period from five up to ten months, or by prohibition to hold certain job positions or be engaged in certain types of activities for the period up to five years, or by detention under arrest for the period up to six months or by imprisonment for the period from six months up to one year with or without prohibition to hold certain job positions or be engaged in certain

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		types of activities for the period up to three years. 2. The same actions, if: 1) committed by a group of person upon prior conspiracy or by an organized group; 2) associated with deriving extra-large profit; 3) committed by a person abusing his/her official position, – are punishable by a fine from one thousand up to two thousand monthly calculated indices, or by imprisonment for the period from one to three years with or without prohibition to hold certain positions or be engaged in certain types of activities for the period up to three years, with forfeiture of property (assets). Note. Insider information in this Article refers to reliable information on securities (derivatives), transactions with them, as well as on the issuer, which issued (provided) securities (derivatives), on its operations, constituting a commercial secret, and any other information not known to third parties, the disclosure of which may change the value of securities (derivatives) and affect the activities of their issuer. After adoption of a new Criminal Code in 2014, securities market manipulation and misuse of insider information are criminalized by Articles 229 and 230, respectively. Article 229. Securities market Manipulation 1. Securities market manipulation i.e. actions of a securities market entity that is subject to financial monitoring aimed at setting and (or) fixing securities' prices at levels above or below those settled as a result of an objective balance of supply and demand, or at making it look like a security trade, where such actions have inflicted serious damage to a citizen, organization or the state, – are punishable by a fine up to five hundred monthly calculated indices, or by correctional labor for restitution of the same amount, or by community service for the period up to three hundred hours, or by detention under arrest for the period up to ninety days, with or without prohibition to hold certain job positions or be engaged in certain types of activities for the period up to three years. 2. The same actions, if: 1) committed repeatedly; 2) inflicted exceptionally large damage; 3) committed by a group of persons upon prior conspiracy, –

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		are punishable by a fine in amount of up to three thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for the period up to three years, or by imprisonment for the same period, with or without forfeiture of property, and with or without prohibition to hold certain job positions or be engaged in certain types of activities for the period up to three years. 3. Actions covered by the first or the second clauses of this Article, in committed by a criminal group, – are punishable by imprisonment for up to five years with confiscation of property (assets). Article 230. Misuse of Insider Information 1. Deliberate misuse of insider information for trading in securities (derivatives), or deliberate illegal disclosure of insider information to third parties, or deliberate illegal provision of access to insider information for third parties, and also deliberately recommending to third parties to trade securities (derivatives) based on insider information, if such actions have inflicted serious damage to a citizen, organization or the state, – are punishable by a fine up to five hundred monthly calculated indices, or by correctional labor for restitution of the same amount, or by community service for the period up to three hundred hours, or by detention under arrest for the period up to ninety days, with or without prohibition to hold certain job positions or be engaged in certain types of activities for the period up to three years. 2. The same actions, if: 1) committed by a group of person upon prior conspiracy; 2) inflicted exceptionally large damage; 3) committed by a person abusing his/her official position, – are punishable by a fine up to three thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for the period up three years, or by imprisonment for the same period, with or without forfeiture of property (assets), and with or without prohibition to hold certain job positions or be engaged in certain types of activities for the period up to three years. 3. Actions covered by the first or the second clauses of this Article, if committed by a

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		criminal group, – are punishable by imprisonment for up to five years with confiscation of property (assets). Persons involved in exchange market manipulation are held criminally liable under Article 190 (Fraud) or Article 195 (Infliction of Material Damage by Deceit or Abuse Trust) of the RK Criminal Code of 2014. Besides that, Article 230 of the RK Criminal Code of 2014 imposes criminal liability for "misuse of insider information for trading in securities (derivatives), or deliberate illegal disclosure of insider information to third parties, or deliberate illegal provision of access to insider information for third parties, if such actions have inflicted serious damage to a citizen, organization or the state". This Article criminalizes not just securities market manipulation, but also misuse of insider information for trading in derivatives. According to Article 12(40) of the RK Code on Taxes and Other Mandatory Budgetary Payments a derivative is an agreement which value depends on the amount (including fluctuations of the value) of the underlying asset of the agreement, which specifies the performance of a settlement under a given agreement in the future. Options, futures, forwards, swaps and other derivatives, in particular those that represent a combination of the above derivative securities, are referred to derivatives. Goods, standard batches of commodities, securities, currency, indices, interest rates and other assets that have a market value, a future event or a circumstance, and other derivatives may be the underlying assets. Thus, persons involved in misuse of insider information in exchange market are held criminally liable under Article 230 of the RK Criminal Code of 2014.
5. Customer Due Diligence	1. The requirements set forth in the AML/CFT legislation of Kazakhstan do not apply to consumer credit unions;	According to Article 3 of the RK AML/CFT Law adopted in 2009 the following entities fall into the category of entities that are subject to financial monitoring: banks; institutions engaged in certain types of banking operations; stock and commodity exchanges; insurance (reinsurance) institutions; insurance brokers; unified pension

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	pawnshops; micro credit organizations; leasing companies; insurance agents; organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, *inter alia*, via electronic terminals.	savings fund and voluntary pension savings funds; professional securities market players; central depository; notaries; lawyers; other independent legal professionals; audit firms; gambling and lottery operators; and postal service operators rendering remittance services. According to the amended AML/CFT Law adopted in June 2014 the entities that are subject to financial monitoring now also include **microfinance organizations; non-bank e-money operators;** accounting organizations; and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"). On July 14, 2015, the RK Parliament adopted and submitted for the approval of the RK President the AML/CFT Law of 2015. According to this Law the following entities fall into the category of entities that are subject to financial monitoring: - Individual and corporate leasing entities operating in the capacity of unlicensed lessors, - Pawnshops; - Individual and corporate dealers in precious metals, precious stones and articles made thereof; - Individual and corporate real estate agents; - Third-party payment processors. For the purpose of implementation of the RK AML/CFT Law of 2015 the Prime Minister's Decree requires to develop the Requirements for the AML/CFT Internal Control Rules of new entities that are subject to financial monitoring (included in this category in 2015). The RK AML/CFT Law of 2015 amended Annex 3 (Permits and Notices) to the RK Law on Permits and Notices by adding a new notice: **"Notice on commencement and termination of operation of an entity that is subject to financial monitoring in compliance with the RK AML/CFT Law".** Besides that, the RK AML/CFT Law of 2015 extended the powers vested in the designated financial monitoring agency. New subparagraphs 13(1) and 13(2) were added to Article 16 of the AML/CFT Law, according to which the designated agency registers and receives notices from the entities that are subject to financial monitoring listed in Article 3(1)(7)(12-16) of the AML/CFT Law in complaince with the RK Law on Permits and Notices.

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		Financial leasing entities As mentioned above, pursuant to the AML/CFT Law of 2015 individual and corporate leasing entities operating in the capacity of unlicensed lessors fall into the category of entities that are subject to financial monitoring. On the other hand, since 2009, leasing entities operating in the capacity of licensed lessors fall into the category of entities that are subject to financial monitoring as institutions engaged in certain types of banking operations. The RK AML/CFT Law of 2015 introduced a new clause (2) into Article 10 of the RK Law on Financial Leasing which reads as follows: "Other corporate and individual leasing entities operating in the capacity of unlicensed lessors shall commence their operations after filing the relevant notice in a manner prescribed by the RK Law on Permits and Notices"; Article 11(2) of the RK Law on Financial Leasing was supplemented by new subparagraph (4) pursuant to which lessors are obliged to file information and reports with the designated financial monitoring agency in compliance with the RK AML/CFT Law. **Consumer cooperatives** According to Article 4(1) of the RK Law on Consumer Cooperative a consumer cooperative is a not-profit organization and may be engaged in commercial activity only insofar as it conforms to its charter purposes. On December 31, 2014, the list of suspicious transaction indicators was revised (the relevant amendments were introduced into RK Government Resolution No.1484). Now, this list includes transactions which engagement of non-profit organizations which (transactions) are related to charitable activities and (or) other donations. Besides that, pursuant to Article 11(3-2) of the RK AML/CFT Law of 2014 the Committee, jointly with other government stakeholders, adopted the Requirements for Internal Control Rules of the entities that are subject to financial monitoring, which includes the ML/FT Risk Management Program that includes customer risks and risks related to misuse of services for criminal purposes, *inter alia*, risks related to new technologies.

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		According to this Program high risk is assigned to a customer that is a non-profit organization, which is also one of the suspicious transaction indicators. Besides that, the Committee conducts ongoing monitoring of operations of non-profit organizations, including consumer cooperatives. **Micro-credit organizations** On December 16, 2012, RK Law No.56-V on Microfinance Organizations adopted on November 26, 2012 was put into effect, and the RK Law on Micro Credit Organizations dated March 6, 2003 ceased to be in force. Pursuant to the new Law operations of microfinance organizations are regulated by the RK National Bank, *inter alia*, by their registration, keeping the register of microfinance organizations, imposition of prudential regulations and monitoring their compliance with the RK legislation. Article 1(7) of the Law on Microfinance Organizations defines a microfinance organization as a legal commercial entity, the official status of which is determined by the government registration with the justice authorities and by "record registration", and which provides micro loans and performs other types of activities and operations permitted by this Law. As noted above, according to the RKA ML/CFT Law adopted in June 2014 microfinance organizations fall into the category of entities that are subject to financial monitoring. Besides that, new subparagraph 5-1 was added to Article 7(2) of the RK Law on Microfinance Organizations that obliges microfinance organizations to file information and reports with the designated financial monitoring agency in compliance with RK AML/CFT Law of 2014. **Pawnshops** As noted above, pawnshops fall into the category of entities that are subject to financial monitoring. Besides that, the AML/CFT Law of 2015 introduced amendments into Article 328 of the RK Civil Code according to which, prior to commencement of their operation,

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		pawnshops are obliged to **notify the designated financial monitoring agency thereof** in a manner prescribed by the RK Law on Permits and Notices, and also comply with the requirements set forth in the RK AML/CFT legislation. **Insurance agents** Pursuant to the Requirements for operation of insurance institutions, *inter alia*, pertaining to relationships among insurance market operators and authorization of insurance agents to provide intermediary services in the insurance market, adopted by Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions, upon **entering into an agreement with an insurance agent**, an insurance institution shall: - Record information on insurance agent in the electronic insurance agents register maintained by a designated employee of the insurance institution; - Arrange for AML/CFT training of insurance agent. Besides that, RK Finance Minister's Order No.523 of 26.11.2014 and RK National Bank Board Resolution No.238 of 24.12.2014 adopted the Requirements for AML/CFT Internal Control Rules of **insurance (reinsurance) institutions and insurance brokers**. These Requirements are registered in the RK National Register of Regulations on February 10, 2015 (Reg.No.10214). All requirements related to compliance by insurance institutions with the RK AML/CFT legislation apply to insurance agents. Article 18(2) of the RK Law on Insurance holds an insurance institution liable for the following actions of its insurance agent: - Entering into insurance agreements and taking actions by an insurant agent that are beyond the authorities and powers granted to such agent, - Entering into insurance agreements covering those types and categories of insurance services that insurance organization is not licensed to provide by the competent authority, - Deliberate misleading/ misinforming an insured party about terms and conditions of the insurance agreement, - Non-compliance with RK legal requirements pertaining to execution of an insurance agreement and on execution of documents needed for entering into such insurance agreement.

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		Pursuant to RK Law No. 338-IV on Amendments and Modifications to Certain RK Laws Pertaining to Insurance dated July 15, 2010 Article 18 of RK Law No.126 on Insurance dated December 18, 2000 was supplemented by new clause 4 which came into effect on January 1, 2012. This new clause prohibits an insurance agent from accepting cash from an insured party as payment of the premium when entering into insurance agreement on behalf or at the direction of an insurance institution. Article 18(5) of RK Law No.126 on Insurance dated December 18, 2000 **prohibits an insurance agent from withholding commission fee due to him under the agency agreement from the premiums received from the insured parties.** **E-money operators** As mentioned above, according to the RK AML/CFT Law of 2014 **non-bank e-money operators** fall into the category of entities that are subject to financial monitoring. Pursuant to Article 36-1(9) of the RK Law on Payments and Fund Transfers an issuer is obliged to provide the designated financial monitoring agency with information on operators which whom he entered into the relevant agreements in compliance with the RK AML/CFT Law. **Third-party payment processors** As noted above, according to the RK AML/CFT Law of 2014 third-party payment processors fall into the category of entities that are subject to financial monitoring. Pursuant to the Law of 2015 information on such entities is provided to the designated financial monitoring agency by the RK National Bank.
	2. There is no direct prohibition to open anonymous accounts and accounts in fictitious names.	At the time of mutual evaluation, there was no direct prohibition to open anonymous accounts and accounts in fictitious names in Kazakhstan. Following adoption of the RK AML/CFT Law of 2014, the relevant amendments were introduced into Article 6 of the RK Law on Payments and Fund Transfers, **which now prohibits banks from opening anonymous bank accounts or bank accounts in fictitious names.** Besides that, RK National Bank Board Resolution No.62 dated April 23, 2014 amended Clause 6-1 of the Regulation on Opening, Maintaining and Closing Customer

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		Bank Accounts with RK Banks (adopted by RK National Bank Board Resolution No.226 dated June 2, 2000), which now reads as follows: **"A bank shall open a bank account for a customer after undertaking the due diligence measures prescribed by the RK Law on Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism dated August 28, 2009".** Banks shall refuse to open bank accounts in the situations and on the grounds specified in the Tax Code, **Law on Payments and AML/CFT Law**, and also when a customer fails to provide documents required by these Regulations, or if no transaction between a bank and a customer is carried out.
	3. There is no obligation to undertake the CDD measures when carrying out transactions in amount exceeding 15,000 US dollars and also when there is a suspicion of money laundering.	The RK AML/CFT Law of 2014 introduced amendments and modifications into Article 5(2) of the AML/CFT Law, which now obliges the entities that are subject to financial monitoring to conduct due diligence on customers (their representatives) and beneficial owners when: **- establishing business relationship with a customer;** - carrying out transactions with funds and (or) other property (assets) that are subject to financial monitoring, including suspicious transactions … According to the RK AML/CFT Law customer due diligence shall be conducted in all cases, except for the situations specified in Article 5(3-1) of the AML/CFT Law. Pursuant to the Requirements for the Internal Control Rules of the second-tier banks and the National Postal Service Operator the entities that are subject to financial monitoring shall identify a customer (his representative) and a beneficiary owner and also shall establish the intended purpose of a business relationship or **of an occasional transaction (deal), when**: a customer carries out an occasional transaction (deal) in amount: 1) exceeding 2,000,000 tenge or foreign currency equivalent, *inter alia*, by carrying out, during one calendar day, several transactions (deals) involving purchase, sale or exchange of foreign currency cash through exchange office, sending or receiving non-cash payment or funds transfer without opening bank account, cheque payment by a cheque holder's bank, and bill discounting by a bank;

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		2) exceeding 500,000 tenge or foreign currency equivalent, *inter alia*, by carrying out, during one calendar day, several transactions (deals) that involve depositing of funds to an individual's bank account through a cash acceptance equipment (device); 3) exceeding 200,000 tenge or foreign currency equivalent, *inter alia*, by carrying out, during one calendar day, several transactions (deals) using a payment card other than account access device. Besides that, the Requirements for the Internal Control Rules of the institutions engaged in certain types of banking operations (except for the operator of the interbank money transfer system, money transfer operators and microfinance organizations) require to identify a customer (his representative) and a beneficiary owner and also to establish the intended purpose of a business relationship or of an occasional transaction (deal), when a customer carries out an **occasional transaction (deal)** in amount exceeding 2,000,000 tenge or foreign currency equivalent, *inter alia*, by carrying out, during one calendar day, several transactions (deals) involving purchase, sale or exchange of foreign currency cash through exchange office, sending or receiving non-cash payment or funds transfer without opening bank account, cheque payment by a cheque holder's bank, and bill discounting by a bank. *Note: 200,000 tenge is approximately equal to USD 1,000; 500,000 tenge is approximately equal to USD 2,500; 2,000,000 tenge is approximately equal to USD 10,000.*
	4. "Beneficiary owner" is not defined for the AML/CFT system purposes	The RK AML/CFT Law of 2014 introduced the following **definition of a beneficiary owner** in the AML/CFT Law: "a beneficiary owner is an individual who directly or indirectly owns over twenty five percent interest in the authorized capital or of outstanding shares (net of preferred and repurchased shares) of a corporate customer, as well as an individual who otherwise exercises control over a customer, or for whose benefit a customer carries out transactions with funds and (or) other property (assets)".
	5. There is no obligation to understand the ownership and control structure of the customer, or to verify the authority of	The RK AML/CFT Law of 2014 obliges the entities that are subject to financial monitoring to determine the ownership and control structure of a customer, or to verify the authority of someone acting as a representative of a customer to understand the

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	someone acting as a representative of a customer.	ownership and control structure of the customer, or to verify the authority of someone acting as a representative of a customer. Article 5(3)(2-1) of the RK AML/CFT Law of 2014 requires **to identify beneficial owner and to record information** required for his/her identification in compliance with paragraph (1) of this Article, except for a legal address. In order to identify the beneficial owner of a corporate customer, an entity that is subject to financial monitoring shall determine the ownership and control structure of such customer using its instruments of incorporation and the register of shareholders, or information obtained from other sources. If the measures undertaken under this paragraph fail to identify the beneficial owner of a corporate customer, the sole executive body or the head of the executive board of such corporate customer may be recognized as the beneficial owner. Data required for identifying a beneficial owner shall be recorded based on the information and (or) documents provided by a customer (or its representative) or obtained from other sources. In 2014, Government Resolution No.1484 was supplemented by new clause 11 which empowered the Committee to obtain additional information on customers and their beneficial owners from the entities that are subject to financial monitoring. In May 2015, amendments and modification were introduced into the KR Minister's Order on Adoption of the List of Documents Required for Undertaking CDD by Entities that are Subject to Financial Monitoring. According to these amendments an entity that is subject to financial monitoring shall require a customer to provide additional ID documents of the beneficial owners of a legal entity (except for the situations when the beneficial owner is the founder (member) of a legal entity and has been identified based on the extract from the register of shareholders (members)).
	6. There is no obligation to verify information obtained as a result of undertaken CDD measures.	Until June 2014, there was no obligation to verify information obtained as a result of undertaken CDD measures in the RK AML/CFT Law of 2009. This deficiency was eliminated by introducing new paragraph 6 into Article 5(3) of the RK AML/CFT Law of 2014 which requires entities that are subject to financial

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		monitoring **to undertake measures for verifying veracity and updating information on a customer (its representative) and a beneficiary owner.** "Veracity of information required for identification of a customer (its representative) and beneficiary owner shall be verified by cross-checking it against the original documents or notarized copies thereof or against data from the available sources. As for a customer's representative, authority and powers of parson to act on behalf and/or in the interests of the customer shall be additionally verified. Data shall be updated if there are grounds to doubt the veracity of previously obtained customer and beneficial owner information, as well as in the situations specified in the internal control rules". Pursuant to Article 10 of the RK AML/CFT Law of 2014, when conducting customer due diligence, entities that are subject to financial monitoring are obliged to record (in writing) the customer information as per the list of documents required for performing CDD. Besides that, the Requirements for the Internal Control Rules developed and adopted for the financial sector oblige entities that are subject to financial monitoring to verify veracity of customer (its representative) information depending on level of risk. According to the Customer Transaction Examination and Monitoring Program information on high-risk customer (its representative) and beneficial owner shall be updated at least once a year. RK Finance Minister's Order No.506 of November 20, 2014 on Amendments into RK Finance Minister's Order No.56 of February 12, 2010 on Adoption of the List of Documents Required for Performing CDD (registered with RK Ministry of Justice on May 5, 2015, Reg.No.10932) amended the list of documents required for performing CDD as it pertains to identification and conducting due diligence on customer's representative and beneficial owner.
	7. There is no requirement to undertake enhanced CDD measures for high-risk customers.	The Requirements for Internal Control Rules for financial sector include the Customer Identification Program. According to this Program entities that are subject to financial monitoring shall perform regular, simplified or enhanced identification of customer and beneficial owner depending on a customer risk level.

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		Enhanced identification is performed by entities that are subject to financial monitoring in the following situations: 1) When a high risk level is assigned to a customer; 2) Upon detection, in the process of customer transaction examination and monitoring, of a suspicious (attempted) transaction (deal), unless enhanced identification may result in tipping off a customer; 3) When there are doubts about veracity of information provided by a customer; 4) In situations specified in the internal documents of a bank, *inter alia*, by the decision of the designated officer. Besides that, the Law of 2015 introduced new paragraph 7 into Article 5 which reads as follows: "… Entities that are subject to financial monitoring shall undertake enhanced and simplified CDD measures in the situations and in a manner specified in the internal control rules and also depending on ML/FT risk. Simplified CDD measures undertaken by entities that are subject to financial monitoring include one or several of the following actions: 1) Reducing frequency of updating customer identification data; 2) Reducing frequency of scrutiny of business relationship and examination of transactions carried out by a customer through a given entity that is subject to financial monitoring; 3) Determining purpose and intended nature of business relationship based on the nature of conducted transactions. **Simplified CDD measures** shall not be undertaken when an entity subject to financial monitoring has reasonable grounds to believe that business relationship is established or a transaction is performed by a customer for ML or FT purposes. **Enhanced CDD measures** undertaken by entities that are subject to financial monitoring include, in addition to the measures specified in clause 3 of this Article, one or several of the following actions: 1) Determining the reason of intended or conducted transactions; 2) Increasing number and frequency of examinations and identifying nature of transactions that require additional examination;

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		3) Obtaining approval of a senior manager for establishing and maintaining business relationships with customers …". In addition to that, pursuant to RK Prime Minister's Instruction No.101-R of July 4 the following Requirements for AML/CFT Internal Control Rules were developed and adopted: - for the second-tier banks and the National Postal Service Operator – by RK Finance Minister's Order No.521 dated November 26, 2014 and RK National Bank Board Resolution No.235 dated December 24, 2014; - for insurance (reinsurance) institutions and insurance brokers – by RK Finance Minister's Order No.523 dated November 26, 2014 and RK National Bank Board Resolution No.238 dated December 24, 2014; - for professional securities market players and the central depository – by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for the stock exchange - by RK Finance Minister's Order No.519 dated November 26, 2014 and RK National Bank Board Resolution No.237 dated December 24, 2014; - for the unified pension savings fund and voluntary pension savings funds - by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for institutions engaged in certain types of banking operations and microfinance organizations - by RK Finance Minister's Order No.518 dated November 26, 2014 and RK National Bank Board Resolution No.236 dated December 24, 2014. Pursuant to these Requirements entities that are subject to financial monitoring perform regular, simplified or enhanced identification of customers and beneficial owners depending of a customer risk level.
	8. There is no requirement to perform ongoing monitoring (i.e. ongoing due diligence) of transactions carried out by customers.	The RK AML/CFT Law of 2014 amended Article 5(3)(5) of the AML/CFT Law. According to the revised subparagraph one of the CDD measures is ongoing monitoring of business relationship and examination of transactions carried out by a customer through a given entity that is subject to financial monitoring, which includes obtaining and recording information on source(s) of funding of the performed transactions, where necessary.

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		The Requirements for Internal Control Rules provide that in order to comply with the CDD requirements set forth in the AML/CFT Law and to file above-threshold and suspicious transaction reports with the Committee, an entity that is subject to financial monitoring shall develop the customer transaction examination and monitoring program. Under this program, an entity that is subject to financial monitoring shall take measures for updating and obtaining additional information on customers (their representatives) and beneficial owners, including information on source(s) of funding of transactions carried out by customers, as well as for examining customers' transactions and identifying above-threshold and suspicious transactions. The results of such examinations are used by entities that are subject to financial monitoring for annual assessment of exposure of their services (products) to ML and FT risks as well as for revision of customer risk levels.
	9. The legislation does not specify frequency of updating information on the existing customers and applying the full range of CDD measures to such customers.	Pursuant to the RK AML/CFT Law of 2014 Article 5(3) of the AML/CFT Law was supplemented by new paragraph 6 according to which information shall be updated when there are reasonable grounds to doubt veracity of previously obtained customer and beneficial owner information and also in the situations specified in the internal control rules. According to the Requirements for AML/CFT Internal Control Rules frequency of updating and (or) obtaining additional information on a customer (its representative) and beneficiary owner is determined by entities that are subject to financial monitoring with due consideration for customer (group of customers) risk level and (or) for extent of exposure of entity's services (products) used by a customer to ML and FT risks. Information on a high-risk customer (its representative) and beneficial owner shall be updated at least once a year. Verification of whether a customer (beneficial owner) is (included) in the List does not depend of a customer risk level and is performed as long as the List is updated.
	10. CDD measures do not provide for identification and recording of information on customers that have been already served by a financial	According to Article 5(3)(1) and (2) of the AML/CFT Law due diligence by entities that are subject to financial monitoring of their customers (their representatives) and beneficial owners includes implementation of the following measures: 1) Recording data required for identification of an individual: details of his/her identity document, personal identification number (except where personal identification

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	at the time of adoption of the AML/CFT Law.	number has not been assigned to an individual under the legislation of the Republic of Kazakhstan) and legal address; 2) Recording data required for identification of a legal entity (branch, representative office): details of the government (record) registration (re-registration) certificate of a legal entity (branch, representative office), business identification number (except where business identification number has not been assigned to a legal entity under the legislation of the Republic of Kazakhstan) or registration number of non-resident legal entity in a foreign country, and business address. The Requirements for Internal Control Rules developed and adopted for the financial sector specify the procedure of recording information and retaining documents and data obtained as a result of implementation of the AML/CFT internal controls. According to Article 5(2)(2) entities that are subject to financial monitoring shall undertake CDD measures in respect to customers (their representatives) and beneficial owners when carrying out transactions with funds and (or) other property (assets) that are subject to financial monitoring, including suspicious transactions …
	11. Since the respective requirements were put in force just recently, the effectiveness of the system is low.	*In the reporting period, being conducted were 669 audits/inspections of financial institutions which resulted in imposition of fines totaling 37,209 thousand tenge which is the equivalent of over USD 200,000.* *The audit/inspection statistics broken down by financial institutions is presented in Table 6.*
13. Suspicious Transaction Reporting	1. There is no direct requirement to file STR if there is suspicion of money laundering	A suspicious transaction with funds and (or) other property (assets) was defined in the AML/CFT Law of 2009 as a transaction that meets the criteria set forth in the Law that give grounds to believe that it will result in integration of proceeds obtained through crime into legal circulation, or it is conducted for the purpose of financing terrorism and (or) extremism. Following adoption of the new AML/CFT Law, the suspicious transaction definition was revised to read as follows: a suspicious transaction is a customer's transaction (**including attempted transaction**, transaction which is underway, or completed transaction) **that raises suspicion that funds and (or) other property (assets) used for**

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		the transaction are proceeds of criminal activity or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. The 2009 AML/CFT Law provision stipulating that suspicious transactions that may be or have been performed shall be subject to financial monitoring irrespective of their form or amount remained unchanged in the 2014 AML/CFT Law. Besides that, according to RK Government Resolution No.1484 when an entity that is subject to financial monitoring suspects that that funds and (or) other property (assets) used for a transaction **are proceeds of criminal activity or transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities**, it shall report such transaction to the Committee within the established time period. According to Article 10(2) of the AML/CFT Law, which was amended in 2014, entities that are subject to financial monitoring are obliged to **document (record in writing) information and details of suspicious transactions** and provide such information to the designated agency immediately prior to performance of a transaction, or not later than in three hours after its performance, or within twenty four hours after its detection, if a transaction cannot be suspended. According to RK Constitutional Council Regulatory Resolution No.5 pertaining to conformance of the adopted AML/CFT legislation to the RK Constitution the procedure of providing information and details of transactions that are subject to financial monitoring shall be established in the AML/CFT Law. The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism and Encashment (hereinafter the RK AML/CFT Law of 2012) was adopted in **June 2012**.

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		The RK AML/CFT Law of 2012 amended the RK AML/CFT Law of 2009. In particular, the following new criteria were added to the list of suspicious transaction criteria: - A transaction which is reasonably believed to be carried out for converting criminal proceeds into cash; - Transactions, in which a recipient of funds or goods (work, services, protected information, exclusive intellectual property rights, leased property) is a non-resident who is not party to an agreement/contract involving import (export) of goods (work, services, protected information, exclusive intellectual property rights, leased property); - Transactions one of the parties to which are natural persons and (or) legal entities included in the list of entities and individuals linked to financing of terrorism and extremism. For implementing the Resolution of the Constitutional Council the relevant amendments were introduced into Article 10 of the AML/CFT Law, according to which the requirements for reporting transactions that are subject to financial monitoring as well as the timelines and manner in which such information shall be provided are directly specified in the AML/CFT Law. In order to prevent and disrupt ML/FT activities, Article 13(2) of the RK AML/CFT Law of 2014 provides that, upon detection of a suspicious transaction, entities that are subject to financial monitoring are obliged to report such transaction to the designated agency **before it is carried out**. Reports on suspicious transactions that cannot be suspended shall be filed by entities that are subject to financial monitoring with the Committee not later than in three hours after their performance, or within twenty four hours following detection of such transactions. Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the

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		Committee not later than the next business day following the day when such transactions was identified as suspicious. The AML/CFT legislation also obliges entities that are subject to financial monitoring to inform the Committee about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other property (assets) on the grounds set forth in Article 13(1) of the AML/CFT Law, and also about freezing/suspension of transactions in the situations specified in Article 13(1-1) of the AML/CFT Law not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure). According to the amendments and modifications introduced into RK Government Resolution No.1484 in 2014 the suspicious transaction indicators are broken down by general characteristics and types of activities of entities that are subject to financial monitoring.
	2. Shortcomings in criminalization of money laundering may affect the STR filing regime.	Article 1(4) of the AML/CFT Law of 2009 defined legalization (laundering) of illegally obtained proceeds as integration of illegally obtained funds and (or) other property (assets) into legal circulation through transactions as well as use of such funds and (or) property (assets). Following adoption of the RK AML/CFT Law of 2014, this definition was revised to read as follows: legalization (laundering) of proceeds obtained through **crime** - integration of funds and (or) other property (assets) obtained through **crime** into legal circulation through transactions as well as use of such funds and (or) property (assets). On July 14, 2015, the RK Parliament adopted and submitted for the approval of the RK President the AML/CFT Law of 2015. According to this Law the definition of legalization (laundering) of proceeds obtained through crime set forth in Article 1(11) is revised to read as follows: “Legalization (laundering) of proceeds obtained through crime - integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal offences, and also concealment or disguise of the true

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		nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime". According to the amendments and modifications introduced into RK Government Resolution No.1484 in 2014 the suspicious transaction indicators are broken down by general characteristics and types of activities of entities that are subject to financial monitoring. The general indicators are identified with due consideration for the national Risk Assessment, enforcement practice and practical experience of entities that are subject to financial monitoring. For example, the general suspicious transaction indicators include "transactions identified as suspicious ones by executive officers of an entity subject to financial monitoring based on their skills and experience".
	3. The requirements set forth in the AML/CFT legislation of Kazakhstan do not apply to a number of institutions that fall within the financial institution category: leasing companies; consumer credit unions; pawnshops; micro credit organizations; insurance agents; organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, *inter alia*, via electronic terminals.	On July 14, 2015, the RK Parliament adopted and submitted for the approval of the RK President the AML/CFT Law of 2015 on Amendments and Modifications to Certain RK Laws Pertaining to Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism (hereinafter the Law of 2015). According to this Law the following entities fall into the category of entities that are subject to financial monitoring: **pawnshops, leasing entities operating in the capacity of unlicensed lessors, dealers in precious metals, precious stones and articles made thereof, real estate agents, third-party payment processors.** **<u>Consumer cooperatives</u>** According to Article 4(1) of the RK Law on Consumer Cooperative a consumer cooperative **is a not-profit organization and may be engaged in commercial activity only insofar as it conforms to its charter purposes**. RK Government Resolution No.1484, as amended in 2014, adopted the suspicious transaction indicators, **which include a transaction with engagement of a non-profit organization** which (transaction) is related, *inter alia*, to charitable activities and (or) other donations. Besides that, pursuant to Article 11(3-2) of the RK AML/CFT Law of 2014 the Committee, jointly with other government stakeholders, adopted the Requirements for

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		Internal Control Rules of the entities that are subject to financial monitoring, which include the Risk Management Program. According to the Risk Management Program high risk is assigned to a customer that is a non-profit organization. The Committee conducts ongoing monitoring of operations of non-profit organizations, including consumer cooperatives. **Micro-credit organizations** On December 16, 2012, the RK Law on Microfinance Organizations adopted on November 26, 2012 was put into effect, and the RK Law on Micro-Credit Organizations dated March 6, 2003 ceased to be in force. According to the Law of 2015 operations of microfinance organizations are regulated by the RK National Bank, *inter alia*, by their registration, keeping the register of microfinance organizations, imposition of prudential regulations and monitoring their compliance with the RK legislation. Article 1(7) of the Law on Microfinance Organizations defines **a microfinance organization** as a legal commercial entity, the official status of which is determined by the government registration with the justice authorities and by "record registration", and which provides micro loans and performs other types of activities and operations permitted by this Law. As noted above, according to RK AML/CFT Law No.206-V adopted in June 2014 microfinance organizations fall into the category of entities that are subject to financial monitoring. New subparagraph 5-1 was added to Article 7(2) of the RK Law on Microfinance Organizations that **obliges microfinance organizations to file information and reports with the Committee in compliance with RK AML/CFT Law.** **Pawnshops** As noted above, pawnshops fall into the category of entities that are subject to financial monitoring. Besides that, the AML/CFT Law of 2015 introduced amendments into clauses 5 and 7 of Article 328 of the RK Civil Code according to which, prior to commencement of their operation, pawnshops are obliged to **notify the designated financial monitoring agency**

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		thereof in a manner prescribed by the RK Law on Permits and Notices and also comply with the requirements set forth in the RK AML/CFT legislation. The Law of 2015 introduced amendments and modifications into RK Law on Permits and Notices. In particular, new paragraph 35 **"Notification of commencement or termination of operations of entities that are subject to financial monitoring in compliance with the RK AML/CFT Law"** was added to Annex 3 to the said Law**.** **Besides that, Article 16 of the AML/CFT Law was supplemented by new subparagraph (13-2) which pertains to receipt by the designated agency** of notices from entities that are subject to financial monitoring. **<u>Financial leasing entities</u>** As mentioned above, pursuant to the AML/CFT Law of 2015 **leasing entities operating in the capacity of unlicensed lessors fall into the category** of entities that are subject to financial monitoring. On the other hand, since 2009, **leasing entities operating in the capacity of licensed lessors fall into the category** of entities that are subject to financial monitoring as institutions engaged in certain types of banking operations. The Law of 2015 introduced a new clause (2) into Article 10 of the RK Law on Financial Leasing which reads as follows: "Other corporate and individual leasing entities operating in the capacity of unlicensed lessors shall commence their operations after filing the relevant notice in a manner prescribed by the RK Law on Permits and Notices"; Besides that, Article 11(2) of the RK Law on Financial Leasing obliges **leasing entities operating in the capacity of unlicensed lessors** to file information and reports with the designated financial monitoring agency in compliance with the RK AML/CFT Law. For implementing the Law of 2015, the Committee has developed the Requirements for AML/CFT Internal Control Rules of leasing entities operating in the capacity of unlicensed lessors.

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		Insurance agents Pursuant to the Requirements for operation of insurance institutions, *inter alia*, pertaining to relationships among insurance market operators and authorization of insurance agents to provide intermediary services in the insurance market, adopted by Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions, upon **entering into an agreement with an insurance agent**, an insurance institution shall: - Record information on insurance agent in the electronic insurance agents register maintained by a designated employee of the insurance institution; - Arrange for training of insurance agent. According to the agreement all requirements related to compliance by insurance institutions with the RK legislation, including the AML/CFT legislation, apply to insurance agents. Besides that, RK Finance Minister's Order No.523 of 26.11.2014 and RK National Bank Board Resolution No.238 of 24.12.2014 adopted the Requirements for AML/CFT Internal Control Rules of **insurance (reinsurance) institutions and insurance brokers**. These Requirements are registered in the RK National Register of Regulations on February 10, 2015 (Reg.No.10214). Article 18(2) of the RK Law on Insurance holds an insurance institution liable for breach by an insurance agent the AML/CFT legislation, *inter alia*, for following actions: - Entering into insurance agreements and taking actions by an insurant agent that are beyond the authorities and powers granted to such agent, - Entering into insurance agreements covering those types and categories of insurance services that insurance organization is not licensed to provide by the competent authority, - Deliberate misleading/ misinforming an insured party about terms and conditions of the insurance agreement, - Non-compliance with RK legal requirements pertaining to execution of an insurance agreement and on execution of documents needed for entering into such insurance agreement. Pursuant to RK Law No. 338-IV dated July 15, 2010 Article 18 of RK Law No.126 on Insurance dated December 18, 2000 was supplemented by new clause 4 which came

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		into effect on January 1, 2012. This new clause **prohibits an insurance agent from accepting cash from an insured party as payment of the premium when entering into insurance agreement on behalf or at the direction of an insurance institution**. Article 18(5) of RK Law No.126 on Insurance dated December 18, 2000 **prohibits an insurance agent from withholding commission fee due to him under the agency agreement from the premiums received from the insured parties.** **Organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, *inter alia*, via electronic terminals** As noted above, according to the Law of 2015 third-party payment processors **fall into the category** of entities that are subject to financial monitoring. Pursuant to the Law the list of such entities is provided to the designated financial monitoring agency by the RK National Bank.
	4. There is no requirement to file STR on attempted ML-related transactions.	Following adoption of RK Law No.206-V in June 2014, the suspicious transaction definition was revised to read as follows: a suspicious transaction is a customer's transaction (**including attempted transaction**, transaction which is underway, or completed transaction) **that raises suspicion that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity** or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. RK Government Resolution No.1484 requires entities that are subject to financial monitoring to report **attempted customers' suspicious transactions,** if entities subject to financial monitoring suspect that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. According to Article 10(2) of the AML/CFT Law, which was amended in 2014, entities that are subject to financial monitoring are obliged to **document (record in**

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		writing) information and details of suspicious transactions and provide such information to the designated agency immediately prior to performance of a transaction, or not later than in three hours after its performance, or within twenty four hours after its detection, if a transaction cannot be suspended. In order to prevent and disrupt ML/FT activities, Article 13(2) of the RK AML/CFT Law of 2014 provides that, upon identification of a suspicious transaction, entities that are subject to financial monitoring are obliged to promptly report such transaction to the designated agency **before it is carried out**. Reports on suspicious transactions that cannot be suspended shall be filed by entities that are subject to financial monitoring with the Committee not later than in three hours after their performance, or within twenty four hours following identification of such transactions. Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the Committee not later than the next business day following the day when such transactions was identified as suspicious.
	6. Low effectiveness of application of Recommendation 13.	In the reporting period, a total of 1,247,181 suspicious transaction reports were received from entities that are subject to financial monitoring. The number of SRTs received in 2014 increased in six times compared to 2012, and in 35 times compared to 2013. Statistics regarding the number of received SRTs broken down by entities that are subject to financial monitoring is presented in Table 2, while statistics on total number of received STRs is presented in Table 1.
SR.II Criminalization of Terrorist Financing	1. The provisions of Article 233-3 of the Criminal Code of the Republic of Kazakhstan do not cover actions related to provision of funds to terrorists or terrorist organizations without intention to	The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Terrorism of January 8, 2013 revised Article 233-3(1) (Financing of Terrorist or Extremist Activities and other Support of Terrorism or Extremism) of the RK Criminal Code, which now reads as follows: "… provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange,

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	carry out terrorist activity or not linked to a specific terrorist act.	donation, sponsor and charity support, provision of information and other services or provision of financial **services to an individual** or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or has known **that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting terrorist group, terrorist or extremist organization and (or) illegal armed group, -** is punishable by imprisonment for up to five years with forfeiture of property (assets)". The same Law introduced the relevant amendments into Article 1(12) of the Law on Combating Terrorism of July 13, 1999. The "terrorist financing" concept includes provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial **services to an individual** or to a group of individuals or to a legal entity by a person who has been aware of terrorist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist activity or for supporting terrorist group, terrorist organization and (or) illegal armed group. Later on, RK Law No.244 on Amendments and Modifications to Certain RK Laws Pertaining to Combating Extremism and Terrorism of November 3, 2014 introduced similar amendments into Article 1 of the RK AML/CFT Law, which now defines "financing of terrorism" as follows: "Financing of terrorism - provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist activity or for supporting terrorist group, terrorist organization and (or) illegal armed group".

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		The provisions of Article 258(1) of the RK Criminal Code of 2014 remained the same as the provisions of Article 233-3 of the RK Criminal Code of 1997. However, the imprisonment term for this criminal offence was increased from three up to seven years … **Thus, the current legislation criminalizes financing of terrorism in situations where collection and provision of funds and services to individual terrorists or terrorist organizations is not linked to a specific terrorist act or is done without intention to carry out terrorist activity.** Imposition of criminal liability does not require that provided assets and services were actually used for committing a terrorist act or for pursuing terrorist activity. In Kazakhstan, criminal liability is imposed for preparation of a criminal offence. Article 24 of the RK Criminal Code of 1997 defines crime preparation as **intentionally** acquiring, manufacturing or adapting instrumentalities of crime, engaging accomplices, **conspiring to commit a criminal offence,** or otherwise deliberately creating conditions for committing a criminal offence, where such criminal offence has not been accomplished due to circumstances beyond the perpetrator's control. Preparation of a serious and exceptionally serious criminal offence as well as preparation of a terrorism-related criminal offence entails criminal liability. The said legal provision contains the intention element that according to paragraph 5 thereof is criminally punishable under the same Article of the Criminal Code of 2014 that imposes criminal liability for a committed criminal offence, with reference to the relevant paragraph of that Article. Pursuant to Article 117 of the RK Criminal Procedure Code of 1997 subject to proof are all circumstances that determine the extent and nature of liability of a defendant and also the extent and nature of harm inflicted by a crime. Advocacy of terrorism and public call for committing terrorist acts are also criminalized in Kazakhstan (Article 256 of the RK Criminal Code of 2014).
	2. The legislation of the Republic of Kazakhstan does not contain provisions establishing criminal or	According to Article 15(1) of the RK Criminal Code of 2014 (Article 14 of the RK Criminal Code of 1997) sane individuals who are sixteen years old or older by the time of committing a criminal offence are held criminally liable. According to Article 15(2) of

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	administrative liability of legal entities for financing of terrorism.	the RK Criminal Code of 2014 the age of criminal liability for financing of terrorism is fourteen years old. The RK legislation also provides for imposition of civil (administrative) liability on legal entities engaged in financing of terrorism. According to Article 49 of the RK Civil Code **a legal entity engaged in activities prohibited by the legislation shall be subject to liquidation**. According to Article 21 of the RK Law on Combating Terrorism **an organization is recognized as terrorist one and is liquidated** (its activities are prohibited) by a court ruling in a manner established by the legislation. Upon liquidation of an organization that is recognized as terrorist one, its property (assets) is liable to **forfeiture and appropriation by the state**. The procedure of recognizing an organization as terrorist one is specified in Chapter 36-2 (Proceedings on request for recognizing an organization that pursues extremist or terrorist activities in Kazakhstan and (or) in other countries as extremist or terrorist one, including establishing is new name and recognition of information materials imported, published, prepared and (or) distributed in Kazakhstan as extremist or terrorist ones) of the RK Civil Procedure Code. The RK Law of November 3, 2014 introduced a number of amendments and modifications into this Chapter that extended the scope of its application. Recognition of an organization that finance terrorism as terrorist one and its liquidation **does not exempt its founders, managers and other employees directly involved in terrorist financing from criminal liability**. In a situation where a court recognizes a foreign or international organization (its branch, representative office) registered outside Kazakhstan as a terrorist one, operation of such organization (its branch, representative office) in Kazakhstan is prohibited, such organization (its branch, representative office) in Kazakhstan is liquidated, and property (assets) owned by such organization (its branch, representative office) in Kazakhstan is liable to forfeiture and appropriation by the state. Thus, imposition of criminal liability on legal entities, *inter alia*, for financing of terrorism contradicts the fundamental principles of the national criminal legislation.

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	3. The legislation of the Republic of Kazakhstan does not permit the intention element to be inferred from objective factual circumstances, *inter alia*, as applied to the TF crime	In Kazakhstan, criminal liability is imposed for preparation of a criminal offence. Article 24 of the RK Criminal Code of 1997 defines crime preparation as **intentionally** acquiring, manufacturing or adapting instrumentalities of crime, engaging accomplices, **conspiring to commit a criminal offence,** or otherwise deliberately creating conditions for committing a criminal offence, where such criminal offence has not been accomplished due to circumstances beyond the perpetrator's control. Preparation of a serious and exceptionally serious criminal offence as well as preparation of a terrorism-related criminal offence entails criminal liability. The said legal provision contains the intention element that according to paragraph 5 thereof is criminally punishable under the same Article of the Criminal Code of 2014 that imposes criminal liability for a committed criminal offence, with reference to the relevant paragraph of that Article. Pursuant to Article 117 of the RK Criminal Procedure Code of 1997 subject to proof are all circumstances that determine the extent and nature of liability of a defendant and also the extent and nature of harm inflicted by a crime. Advocacy of terrorism and public call for committing terrorist acts are also criminalized in Kazakhstan (Article 256 of the RK Criminal Code of 2014).
	4. Certain unlawful acts against fixed platforms located on the continental shelf and also related to provision of knowingly false information which threatens the safety of maritime navigation are not criminalized.	According to Article 269(1) of the RK Criminal Code attack on buildings, structures (**including fixed platforms located on the RK continental shelf**), communications and other infrastructure facilities as well as unlawful seizure thereof in the RK Inland Waters, Territorial Sea and on the Continental Shelf is punishable by detention under arrest for the period from three to seven years, or by imprisonment for the same period. The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Terrorism dated January 8, 2013 introduced new Article 14-3 *Suppression of Terrorist Attacks in the RK Inland Waters, Territorial Sea and on the Continental Shelf and for Ensuring Safety of Maritime Navigation* into the RK Law on Combating Terrorism. Pursuant to this new Article the RK Armed Forces shall use weapons and military equipment for suppressing threats of terrorist acts in the RK inland waters, territorial sea and on the continental shelf and for ensuring safety of maritime navigation. "In a situation where sea or river vessels and ships (watercraft) ignore commands and (or) signals ordering them to discontinue breaching the regulations pertaining to the use

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		of the RK territorial waters or refuse to stop, the naval (aircraft) weapons of the RK Armed Forces is used for forcing such watercraft to stop in order to eliminate a terrorist act threat. Where a watercraft refuses to stop and (or) it is impossible to force it to stop, and all available measures undertaking in given circumstances failed to stop it, and there is a real threat to human life or of environmental disaster, the naval (aircraft) weapons of the RK Armed Forces is used for stopping movement of such watercraft by destroying it". Actions involving dissemination of deliberately false information entail criminal liability (Article 274 of the RK Criminal Code of 2014) and are punishable by a fine in amount of up to one thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for up to one year, or by imprisonment for the same period.
	5. The presented statistics indicated low efficiency of detecting FT crimes.	The AML/CFT legislation (Article 4(4) of the AML/CFT Law) requires entities that are subject to financial monitoring to examine customers' transactions one of the parties to which are natural persons and (or) legal entities included in the list of entities and individuals linked to financing of terrorism and extremism. Besides that, RK Government Resolution No.1484 adopted the Suspicious Transaction Indicators used by entities that are subject to financial monitoring for initial monitoring of transactions. Moreover, the extended list of reference codes of suspicious transaction indicators entailed increase in the number of STRs filed by entities that are subject to financial monitoring over the recent years. In the reporting period, 14,749 FT-related suspicious transaction reports were filed. The number of FT-related SRTs received in 2014 increased in more than 32 times compared to 2012, and in 14 times compared to 2013. Statistics regarding the number of received FT-related SRTs broken down by entities that are subject to financial monitoring is presented in Table 2, while statistics on total number of received STRs is presented in Table 1.
SR.IV Suspicious Transaction Reporting	1. Shortcoming in criminalization of terrorist financing may affect the STR filing regime.	The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Terrorism of January 8, 2013 revised Article 233-3(1) (Financing of Terrorist or Extremist Activities and other Support of Terrorism or Extremism) of the RK Criminal Code, which now reads as follows:

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		"… provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial **services to an individual** or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or has known **that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting terrorist group, terrorist or extremist organization and (or) illegal armed group, -** is punishable by imprisonment for up to five years with forfeiture of property (assets)". The same Law introduced the relevant amendments into Article 1(12) of the Law on Combating Terrorism of July 13, 1999. The "terrorist financing" concept includes provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial **services to an individual** or to a group of individuals or to a legal entity by a person who has been aware of terrorist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist activity or for supporting terrorist group, terrorist organization and (or) illegal armed group. Later on, RK Law No.244-V on Amendments and Modifications to Certain RK Laws Pertaining to Combating Extremism and Terrorism of November 3, 2014 introduced similar amendments into Article 1 of the RK AML/CFT Law, which now defines "financing of terrorism" as follows: "Financing of terrorism - provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist nature of their activities or has known that the provided property (assets) and rendered information, financial and

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		other services will be used for pursuing terrorist activity or for supporting terrorist group, terrorist organization and (or) illegal armed group". The provisions of Article 258(1) of the RK Criminal Code of 2014 remained the same as the provisions of Article 233-3 of the RK Criminal Code of 1997, i.e. "provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting terrorist group, terrorist or extremist organization and (or) illegal armed group". However, the imprisonment term for this criminal offence was increased form three up to seven years … **Thus, the current legislation criminalizes financing of terrorism in situations where collection and provision of funds and services to individual terrorists or terrorist organizations is not linked to a specific terrorist act or is done without intention to carry out terrorist activity.** Besides that, RK Government Resolution No.1484, as amended in 2014, extended the list of FT-related suspicious transaction indicators.
	2. The requirements of the RK AML/CFT Law apply to not all financial institutions.	On July 14, 2015, the RK Parliament adopted and submitted for the approval of the RK President the RK AML/CFT Law of 2015. According to this Law the following entities fall into the category of entities that are subject to financial monitoring: **pawnshops, leasing entities operating in the capacity of unlicensed lessors, dealers in precious metals, precious stones and articles made thereof, real estate agents, third-party payment processors.** **Consumer cooperatives** According to Article 4(1) of the RK Law on Consumer Cooperative a consumer cooperative **is a not-profit organization and may be engaged in commercial activity only insofar as it conforms to its charter purposes**.

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		RK Government Resolution No.1484, as amended in 2014, adopted the suspicious transaction indicators, **which include a transaction with engagement of a non-profit organization** which (transaction) is related, *inter alia*, to charitable activities and (or) other donations. Besides that, pursuant to Article 11(3-2) of the RK AML/CFT Law of 2014 the Committee, jointly with other government stakeholders, adopted the Requirements for Internal Control Rules of the entities that are subject to financial monitoring, which include the Risk Management Program. According to the Risk Management Program high risk is assigned to a customer that is a non-profit organization. The Committee conducts ongoing monitoring of operations of non-profit organizations, including consumer cooperatives. **Micro-credit organizations** On December 16, 2012, the RK Law on Microfinance Organizations adopted on November 26, 2012 was put into effect, and the RK Law on Micro-Credit Organizations dated March 6, 2003 ceased to be in force. According to the RK AML/CFT Law of 2015 operations of microfinance organizations are regulated by the RK National Bank, *inter alia*, by their registration, keeping the register of microfinance organizations, imposition of prudential regulations and monitoring their compliance with the RK legislation. Article 1(7) of the Law on Microfinance Organizations defines **a microfinance organization** as a legal commercial entity, the official status of which is determined by the government registration with the justice authorities and by "record registration", and which provides micro loans and performs other types of activities and operations permitted by this Law. According to AML/CFT Law adopted in June 2014 microfinance organizations fall into the category of entities that are subject to financial monitoring. New subparagraph 5-1 was added to Article 7(2) of the RK Law on Microfinance Organizations that **obliges microfinance organizations to file information and reports with the Committee in compliance with RK AML/CFT Law.**

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		Pawnshops As noted above, pawnshops fall into the category of entities that are subject to financial monitoring. Besides that, the AML/CFT Law of 2015 introduced amendments into clauses 5 and 7 of Article 328 of the RK Civil Code according to which, prior to commencement of their operation, pawnshops are obliged to **notify the designated financial monitoring agency thereof** in a manner prescribed by the RK Law on Permits and Notices and also comply with the requirements set forth in the RK AML/CFT legislation. The Law of 2015 introduced amendments and modifications into RK Law on Permits and Notices. In particular, new paragraph 35 **"Notification of commencement or termination of operations of entities that are subject to financial monitoring in compliance with the RK AML/CFT Law"** was added to Annex 3 to the said Law**.** **Besides that, Article 16 of the AML/CFT Law was supplemented by new subparagraph (13-2) which pertains to receipt by the designated agency** of notices from entities that are subject to financial monitoring. **Financial leasing entities** As mentioned above, pursuant to the AML/CFT Law of 2015 **leasing entities operating in the capacity of unlicensed lessors fall into the category** of entities that are subject to financial monitoring. On the other hand, since 2009, **leasing entities operating in the capacity of licensed lessors fall into the category** of entities that are subject to financial monitoring as institutions engaged in certain types of banking operations. The Law of 2015 introduced a new clause (2) into Article 10 of the RK Law on Financial Leasing which reads as follows: "Other corporate and individual leasing entities operating in the capacity of unlicensed lessors shall commence their operations after filing the relevant notice in a manner prescribed by the RK Law on Permits and Notices". Besides that, Article 11(2) of the RK Law on Financial Leasing obliges **leasing entities operating in the capacity of unlicensed lessors** to file information and reports

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		with the designated financial monitoring agency in compliance with the RK AML/CFT Law. For implementing the Law of 2015, the Committee has developed the Requirements for AML/CFT Internal Control Rules of leasing entities operating in the capacity of unlicensed lessors. **Insurance agents** Pursuant to the Requirements for operation of insurance institutions, *inter alia*, pertaining to relationships among insurance market operators and authorization of insurance agents to provide intermediary services in the insurance market, adopted by Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions, upon **entering into an agreement with an insurance agent**, an insurance institution shall: - Record information on insurance agent in the electronic insurance agents register maintained by a designated employee of the insurance institution; - Arrange for training of insurance agent. According to the agreement all requirements related to compliance by insurance institutions with the RK legislation, including the AML/CFT legislation, apply to insurance agents. Besides that, RK Finance Minister's Order No.523 of 26.11.2014 and RK National Bank Board Resolution No.238 of 24.12.2014 adopted the Requirements for AML/CFT Internal Control Rules of **insurance (reinsurance) institutions and insurance brokers**. These Requirements are registered in the RK National Register of Regulations on February 10, 2015 (Reg.No.10214). Article 18(2) of the RK Law on Insurance holds an insurance institution liable for breach by an insurance agent the AML/CFT legislation, *inter alia*, for following actions: - Entering into insurance agreements and taking actions by an insurant agent that are beyond the authorities and powers granted to such agent, - Entering into insurance agreements covering those types and categories of insurance services that insurance organization is not licensed to provide by the competent authority,

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		- Deliberate misleading/ misinforming an insured party about terms and conditions of the insurance agreement, - Non-compliance with RK legal requirements pertaining to execution of an insurance agreement and on execution of documents needed for entering into such insurance agreement. Pursuant to RK Law No. 338-IV dated July 15, 2010 Article 18 of RK Law No.126 on Insurance dated December 18, 2000 was supplemented by new clause 4 which came into effect on January 1, 2012. This new clause **prohibits an insurance agent from accepting cash from an insured party as payment of the premium when entering into insurance agreement on behalf or at the direction of an insurance institution**. Article 18(5) of RK Law No.126 on Insurance **prohibits an insurance agent from withholding commission fee due to him under the agency agreement from the premiums received from the insured parties.** **Organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, *inter alia*, via electronic terminals** As noted above, according to the Law of 2015 third-party payment processors **fall into the category** of entities that are subject to financial monitoring. Pursuant to the Law the list of such entities is provided to the designated financial monitoring agency by the RK National Bank. Thus, the requirements related to customer due diligence; development and adoption of internal control rules; reporting transactions that are subject to financial monitoring, including suspicious transactions; freezing/ suspension of transactions with funds and (or) other property (assets); personnel training, etc. will fully apply to the aforementioned entities that are subject to financial monitoring.
	3. There is no requirement to file STR on attempted FT-related transactions.	Following adoption of RK Law No.206-V in June 2014, the suspicious transaction definition was revised to read as follows: a suspicious transaction is a customer's transaction (**including attempted transaction**, transaction which is underway, or completed transaction) **that raises suspicion that funds and (or) other property (assets)**

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		used for the transaction are proceeds of criminal activity or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. RK Government Resolution No.1484 requires entities that are subject to financial monitoring to report **attempted customers' suspicious transactions,** if entities subject to financial monitoring suspect that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. According to Article 10(2) of the AML/CFT Law, which was amended in 2014, entities that are subject to financial monitoring are obliged to **document (record in writing) information and details of suspicious transactions** and provide such information to the designated agency immediately prior to performance of a transaction, or not later than in three hours after its performance, or within twenty four hours after its detection, if a transaction cannot be suspended. In order to prevent and disrupt ML/FT activities, Article 13(2) of the RK AML/CFT Law provides that, upon identification of a suspicious transaction, entities that are subject to financial monitoring are obliged to promptly report such transaction to the designated agency **before it is carried out**. Reports on suspicious transactions that cannot be suspended shall be filed by entities that are subject to financial monitoring with the Committee not later than in three hours after their performance, or within twenty four hours following identification of such transactions. Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the Committee not later than the next business day following the day when such transactions was identified as suspicious.

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	4. Low effectiveness of application of Special Recommendation IV.	In the reporting period, a total of 14,749 FT-related suspicious transaction reports were received from entities that are subject to financial monitoring. The number of FT-related SRTs received in 2014 increased in 32 times compared to 2012, and in 14 times compared to 2013. Statistics regarding the number of received FT-related SRTs broken down by entities that are subject to financial monitoring is presented in Table 2, while statistics on total number of received STRs is presented in Table 1.

II. Actions Taken in Relation to the Key Recommendations (R.23, R.35, SR.I, SR.III)

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
23. Regulation, Supervision and Monitoring	1. Persons engaged in financial leasing transactions; consumer cooperatives that provide loans to their members; micro-credit institutions; pawnshops; insurance agents; persons carrying out transactions with E-money and persons accepting payments from the public are not subject to AML/CFT licensing, monitoring or supervision.	On July 14, 2015, the RK Parliament adopted and submitted for the approval of the RK President the AML/CFT Law of 2015 on Amendments and Modifications to Certain RK Laws Pertaining to Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism (hereinafter the Law of 2015). According to this Law the following entities fall into the category of entities that are subject to financial monitoring: **pawnshops, leasing entities operating in the capacity of unlicensed lessors, dealers in precious metals, precious stones and articles made thereof, real estate agents, third-party payment processors.** **Consumer cooperatives** According to Article 4(1) of the RK Law on Consumer Cooperative a consumer cooperative **is a not-profit organization and may be engaged in commercial activity only insofar as it conforms to its charter purposes**. RK Government Resolution No.1484, as amended in 2014, adopted the suspicious transaction indicators, **which include a transaction with engagement of a non-profit organization** which (transaction) is related, *inter alia*, to charitable activities and (or) other donations. Besides that, pursuant to Article 11(3-2) of the RK AML/CFT Law of 2014 the Committee, jointly with other government stakeholders, adopted the Requirements for Internal Control Rules of the entities that are subject to financial monitoring, which include the Risk Management Program. According to the Risk Management Program high risk is assigned to a customer that is a non-profit organization. The Committee conducts ongoing monitoring of operations of non-profit organizations, including consumer cooperatives. **Micro-credit organizations**

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		On December 16, 2012, the RK Law on Microfinance Organizations adopted on November 26, 2012 was put into effect, and the RK Law on Micro-Credit Organizations dated March 6, 2003 ceased to be in force. According to the Law of 2015 operations of microfinance organizations are regulated by the RK National Bank, *inter alia*, by their registration, keeping the register of microfinance organizations, imposition of prudential regulations and monitoring their compliance with the RK legislation. Article 1(7) of the Law on Microfinance Organizations defines **a microfinance organization** as a legal commercial entity, the official status of which is determined by the government registration with the justice authorities and by "record registration", and which provides micro loans and performs other types of activities and operations permitted by this Law. As noted above, according to RK AML/CFT Law No.206-V adopted in June 2014 microfinance organizations fall into the category of entities that are subject to financial monitoring. New subparagraph 5-1 was added to Article 7(2) of the RK Law on Microfinance Organizations that **obliges microfinance organizations to file information and reports with the Committee in compliance with RK AML/CFT Law.** **Pawnshops** As noted above, pawnshops fall into the category of entities that are subject to financial monitoring. Besides that, the AML/CFT Law of 2015 introduced amendments into clauses 5 and 7 of Article 328 of the RK Civil Code according to which, prior to commencement of their operation, pawnshops are obliged to **notify the designated financial monitoring agency thereof** in a manner prescribed by the RK Law on Permits and Notices and also comply with the requirements set forth in the RK AML/CFT legislation. The Law of 2015 introduced amendments and modifications into RK Law on Permits and Notices. In particular, new paragraph 35 **"Notification of commencement or termination of operations of entities that are subject to financial monitoring in compliance with the RK AML/CFT Law"** was added to Annex 3 to the said Law**.**

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		Besides that, Article 16 of the AML/CFT Law was supplemented by new subparagraph (13-2) which pertains to receipt by the designated agency of notices from entities that are subject to financial monitoring. **Financial leasing entities** As mentioned above, pursuant to the AML/CFT Law of 2015 **leasing entities operating in the capacity of unlicensed lessors fall into the category** of entities that are subject to financial monitoring. On the other hand, since 2009, **leasing entities operating in the capacity of licensed lessors fall into the category** of entities that are subject to financial monitoring as institutions engaged in certain types of banking operations. The Law of 2015 introduced a new clause (2) into Article 10 of the RK Law on Financial Leasing which reads as follows: "Other corporate and individual leasing entities operating in the capacity of unlicensed lessors shall commence their operations after filing the relevant notice in a manner prescribed by the RK Law on Permits and Notices". Besides that, Article 11(2) of the RK Law on Financial Leasing obliges **leasing entities operating in the capacity of unlicensed lessors** to file information and reports with the designated financial monitoring agency in compliance with the RK AML/CFT Law. For implementing the Law of 2015, the Committee has developed the Requirements for AML/CFT Internal Control Rules of leasing entities operating in the capacity of unlicensed lessors. **Insurance agents** Pursuant to the Requirements for operation of insurance institutions, *inter alia*, pertaining to relationships among insurance market operators and authorization of insurance agents to provide intermediary services in the insurance market, adopted by Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and

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		Supervision of Financial Market and Financial Institutions, upon **entering into an agreement with an insurance agent**, an insurance institution shall: - Record information on insurance agent in the electronic insurance agents register maintained by a designated employee of the insurance institution; - Arrange for training of insurance agent. According to the agreement all requirements related to compliance by insurance institutions with the RK legislation, including the AML/CFT legislation, apply to insurance agents. Besides that, RK Finance Minister's Order No.523 of 26.11.2014 and RK National Bank Board Resolution No.238 of 24.12.2014 adopted the Requirements for AML/CFT Internal Control Rules of **insurance (reinsurance) institutions and insurance brokers**. These Requirements are registered in the RK National Register of Regulations on February 10, 2015 (Reg.No.10214). Article 18(2) of the RK Law on Insurance holds an insurance institution liable for breach by an insurance agent the AML/CFT legislation, *inter alia*, for following actions: - Entering into insurance agreements and taking actions by an insurant agent that are beyond the authorities and powers granted to such agent, - Entering into insurance agreements covering those types and categories of insurance services that insurance organization is not licensed to provide by the competent authority, - Deliberate misleading/ misinforming an insured party about terms and conditions of the insurance agreement, - Non-compliance with RK legal requirements pertaining to execution of an insurance agreement and on execution of documents needed for entering into such insurance agreement. Pursuant to RK Law No. 338-IV dated July 15, 2010 Article 18 of RK Law No.126 on Insurance dated December 18, 2000 was supplemented by new clause 4 which came into effect on January 1, 2012. This new clause **prohibits an insurance agent from accepting cash from an insured party as payment of the premium when entering into insurance agreement on behalf or at the direction of an insurance institution**.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		Article 18(5) of RK Law No.126 on Insurance **prohibits an insurance agent from withholding commission fee due to him under the agency agreement from the premiums received from the insured parties.** **Organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, *inter alia*, via electronic terminals** As noted above, according to the Law of 2015 third-party payment processors **fall into the category** of entities that are subject to financial monitoring. Pursuant to the Law the list of such entities is provided to the designated financial monitoring agency by the RK National Bank. Besides that, the RK AML/CFT Law of 2015 extended the powers vested in the designated financial monitoring agency. New subparagraphs 13(1) and 13(2) were added to Article 16 of the AML/CFT Law, according to which the designated agency registers and receives notices from the entities that are subject to financial monitoring listed in Article 3(1)(7)(12-16) of the AML/CFT Law in complaince with the RK Law on Permits and Notices. The designated financial monitoring agency also conducts desk audits of the activities of the entities that are subject to financial monitoring listed in Article 3(1)(7)(12-16) of the AML/CFT Law using information from the databases of the law enforcement and special government agencies and other sourses. Article 805(2) of the RK Code of Administrative Offences of July 5, 2014 empowers prosecutors to issue orders on initiating proceedings for other administrative offences. Other administrative offences include, *inter alia*, breaches by entities that are subject to financial monitoring of the AML/CFT legislation. Thus, the prosecutor's offices are empowered to issue orders on initiating proceedings for other administrative offences, including those covered by Article 218 (**Failure by the authorized banks to comply with the procedure and timelines of providing reports for monitoring supply and demand sources and use of foreign currency in the domestic foreign exchange market**) of the RK Code of Administrative Offences of 2014.

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	2. The AML/CFT Law and other relevant laws ("On the AFS") do not provide for monitoring by the competent authorities of compliance with the law as it pertains to refusal or suspension of transactions.	Pursuant to RF Presidential Decree No.61 of April 18, 2011 on Certain Issues Pertaining to the RK National Bank the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions was abolished and its functions were assigned to the RK National Bank. The Committee for Monitoring and Supervision of Financial Market and Financial Institutions was established within the National Bank of the Republic of Kazakhstan (the RK NB Financial Supervision Committee). In July 2014, the RK NB Financial Supervision Committee was abolished following establishment of new supervisory departments within the National Bank, namely: Banking Supervision Department, Insurance Market Supervision Department, Securities Market Supervision Department and Financial Institutions Inspection Department. In the reporting period, the sanctions set forth in Article 168-3 of the RK Code of Administrative Offences of 2001 were imposed on entities that are subject to financial monitoring for breaching the RK AML/CFT legislation as it pertains to documenting and reporting transactions that are subject to financial monitoring (statistics on conducted audits/inspections broken down by entities that are subject to financial monitoring is presented in Table 6). RK AML/CFT Law No.206-V introduced amendments and modifications into Article 14 of the AML/CFT according to which the relevant government regulators shall impose sanctions on entities that are subject to financial monitoring for non-compliance with the AML/CFT legislation as it pertains to **suspending and refusing to carry out transactions** that are subject to financial monitoring, ensuring **security of documents** obtained in course of their operations and arranging for and implementing the **internal controls**.

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	3. Furthermore, the powers of the AFS and other competent authorities to monitor not just arrangements for but also practical implementation of internal control rules, protection of the relevant documents and compliance with the requirements of the supervisors and FIU need further clarification.	In the reporting period, the sanctions provided for in Article 168-3 of the RK Code of Administrative Offences of 2001 were imposed on entities that are subject to financial monitoring for breaching the RK AML/CFT legislation as it pertains to documenting and reporting transactions that are subject to financial monitoring (statistics on conducted audits/inspections broken down by entities that are subject to financial monitoring is presented in Table 6). RK AML/CFT Law No.206-V introduced amendments and modifications into Article 14 of the AML/CFT according to which the relevant government regulators shall impose sanctions on entities that are subject to financial monitoring for non-compliance with the AML/CFT legislation as it pertains to **suspending and refusing to carry out transactions** that are subject to financial monitoring, ensuring **security of documents** obtained in course of their operations and arranging for and implementing the **internal controls**. On July 5, 2014, the RK President approved new Code of Administrative Offences No.235-V of July 5, 2014 which came into force on January 1, 2015. The Law of 2015 amended Article 214(2)(1) of the Code of Administrative Offences which now reads as follows: "Failure by entities that are subject to financial monitoring to meet their obligations pertaining to development, adoption and (or) implementation of **internal control rules and internal controls implementation programs** or **non-conformance of internal control rules to the requirements** of the RK AML/CFT legislation". Besides that, the Law of 2015 introduced amendments into Articles 462 and 804 of the RK Code of Administrative Offences which empowered the government regulators to draw up formal reports ("protocols") on administrative offences pertaining to non-compliance with the requirements of the FIU and supervisors.
	4. There is no competent authority responsible for supervising KazPost operations pertaining to provision of financial services.	Article 4 of the RK Law on Postal Services authorizes postal service operators to perform the following types of activities and provide the following services: 1) Provide postal communication services; 2) Perform financial activities and provide financial services. RK Law No.206-V introduced amendments into Article 6 of the Law on Postal Services according to which the RK National Bank oversees compliance by the National Postal Service

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		Operator with the RK AML/CFT legislation **in course of performing financial activities and providing financial services**. According to Article 1(48) of the RK Law on Postal Services financial activities and financial services mean activities and services performed and provided by the **National Postal Service Operator** in the financial market in a manner established by the RK legislation. The designated authority oversees compliance by the National Postal Service Operator with the RK AML/CFT legislation **in course of providing postal remittance services**. The designated authority is the government postal communication agency (the Committee for Communications, Information and Information Technologies of the RK Investment and Development Ministry) that pursues, within the scope of powers vested in it, the government **postal communication** policy and oversees, coordinates and regulates activities of the postal service operators. According to the RK Law Article 9(2-1) of the RK Law on Government Regulation and Supervision of Financial Market and Financial Institution was revised to read as follows: "2-1. The designated authority oversees **compliance by financial institutions and the National Postal Service Operator** with the RK AML/CFT legislation as it pertains to recording, retaining and reporting transactions with funds and (or) other property (assets) that are subject to financial monitoring, conducting due diligence with respect to customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring, ensuring **security of documents** obtained in course of their operations, and arranging for and implementing the internal controls, as prescribed by the RK legislation".
	5. No steps were taken by the competent authorities to review the AML/CFT situation in the supervised institutions.	Under the AML/CFT Cooperation and Coordination Agreement signed between the RK National Bank and the RK Ministry of Finance the National Bank receives from the Committee annual statistics on above-threshold and suspicious transaction reports filed by financial institutions supervised by the National Bank for supervisory purposes. Furthermore, in 2013, the RK National Bank conducted the survey of the second-tier banks and other financial institutions for reviewing the AML/CFT situation and assessing readiness for implementation of new provisions of the AML/CFT legislation.

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		The disseminated questionnaire contained ten sections (internal organizational structure; identification of ML/FT risks; AML/CFT internal control rules (programs); identification and verification; transaction examination and reporting; personnel screening; training; compliance and audit; record keeping; and correspondent relationships), and the banks were requested to conduct self-assessment of level of their compliance with each of these requirements. The survey results revealed the following major problems: 1) ML/FT risk identification (since the legislation contained no requirements for application of a risk-based approach in course of establishing and maintaining customer relationships and providing services); 2) Identification and verification (since the legislation did not require to identify beneficial owners and verify veracity of information provided by customers or their representatives); 3) Personnel screening (since the legislation did not require to screen employees with consideration for ML/FT risks depending of particular job positions). The results of this survey were taken into account during development of the RK AML/CFT Law and the Regulation on Establishment of Risk Management and Internal Control System of the second-tier banks adopted by RK National Bank Board Resolution No.29 dated February 26, 2014. Besides that, the RK NB Financial Supervision Committee verified availability and conformance of the internal regulations, procedures and automated (computer-aided) systems to the RK AML/CFT legislation of the following entities that are subject to financial monitoring in course of the scheduled audits/inspections conducted since 01.01.2012 through 01.01.2014: - Seventeen second-tier banks; - Four institutions engaged in certain types of banking operations; - Sixteen securities market players; - Eighteen insurance institutions. Based on the results of the conducted audits/ inspections and incompliance with the Methodological Guidelines on verification of availability and conformance of the internal

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		regulations, procedures and automated (computer-aided) systems to the RK AML/CFT legislation the following levels of risk were assigned to the inspected institutions as of January 1, 2014: - "Low" risk was assigned to 3 insurance institutions; - "Below medium" risk was assigned to 2 second-tier banks, 3 securities market players and 6 insurance institutions; - "Medium" risk was assigned to 9 second-tier banks, 4 institutions engaged in certain types of banking operations, 2 securities market players and 9 insurance institutions; - "Above medium" risk was assigned to 3 second-tier banks; - "High" risk was assigned to 3 second-tier banks and 1 securities market player. The following recommendations and instructions were issued based on the outcomes of the conducted audits/ inspections: 1. Eleven second-tier banks were instructed to examine all transactions conducted following adoption of the AML/CFT Law to identify the above-threshold transactions and report them to the Committee. 2. To computerize the system (process) of identification and reporting transactions that are subject to financial monitoring and suspicious transactions to the Committee within the shortest possible time. 3. To revise the internal control arrangements in the AML/CFT compliance departments/ services. 4. The internal audit departments/ services were instructed to perform regular audits of compliance by the entities that are subject to financial monitoring with the requirements of the RK AML/CFT legislation. 5. To regulate and/or specify in detail the mechanisms and procedures of identification of transactions that are subject to financial monitoring and suspicious transactions and to define the procedure of coordination among the AML/CFT structural departments/ services in the internal documents, and also to regularly update the internal regulations. 6. To provide more intensive AML/CFT training to personnel, since the current efforts aimed at professional development training of employees of entities that are subject

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		to financial monitoring do not meet the internal requirements and are inconsistent with the development of the AML/CFT legal framework. 7. To develop, with the use of the Computerized Banking Information System, the customer ranking (categorization) matrix depending on risk level and other indicators for minimizing ML and FT risks. 8. Where necessary, to fully integrate, in coordination with the designated financial monitoring agency, the financial transaction data collection system into the Computerized Banking Information System for ensuring continuous submission of information/ reports to the designated financial monitoring agency and for enabling both the internal control/audit services and the external regulators to perform adequate monitoring (three entities that are subject to financial monitoring reported over 100 thousand transactions to the Committee). *Statistics on conducted audits/ inspections broken down by financial institutions is presented in Table 6.*
	6. The AML/SFT supervision and monitoring regulatory frameworks has not been established for all types of financial institutions yet.	RK Law No.524-IV dated December 28, 2011 amended the RK Laws on Banks and Banking Activity in the Republic of Kazakhstan (Article 40-5), on Insurance Activity (Article 52-1), on Securities Market (Article 49-1) and on Pension Coverage (Article 40-1) by introducing new Articles that established requirements for the risk management and internal control systems of banks, insurance institutions, professional securities market players and pension saving funds. The same Law introduced new Article 168-4 into the RK Code of Administrative Offences of January 30, 2001. This new Article holds financial institutions administratively liable for **breaching the procedure of establishing the risk management and internal control system**. In the RK Code of Administrative Offences of 2014, the said liability is imposed by Article 215. RK National Bank Board Resolution No.168 dated August 27, 2014 amended the relevant regulations for bringing them in line with Law No.206-V. The introduced amendments covered the following issues: - Conducting CDD by financial institutions in compliance with the requirements of the RK AML/CFT Law of August 28, 2009;

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		- Suspending debit transactions through bank accounts and freezing securities owned by entities included in the list of persons linked to financing terrorism and extremism, and also informing the designated financial monitoring agency of such facts. RK National Bank Board Resolution No.29 dated February 26, 2014 adopted the Regulation on Establishment of Risk Management and Internal Control System of the second-tier banks (hereinafter the Regulation). According to this Regulation the compliance risk management policies of banks shall include the procedure and methods of management of risks related to intentional or unintentional engagement of a bank into ML/FT or other criminal activities (i.e. ML/FT risk management procedure and methods). The obligations of banks pertaining to development of internal documents regulating AML/CFT risk management and monitoring procedure, availability of automated (computerized) systems and procedures (that allow for identifying transactions that are subject to financial monitoring, including suspicious transactions) and development of risk assessment programs are established in clause 13.1.5 of Annex 2 to the said Regulation. This Regulation came into effect on January 1, 2015. Besides that, the requirements for inclusion of AML/CFT procedures into the internal control systems are established in the following regulations: - for insurance institutions – in paragraphs 9, 86 and 88 of the Instruction on Requirements for Availability of Risk Management and Internal Control Systems in Insurance (Reinsurance) Institutions adopted by Resolution No.4 issued by the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions on February 1, 2010; - for brokers and dealers – in paragraph 84 of the Regulation on Establishment of Risk Management and Internal Control System by Securities Market Brokers and Dealers that Provide Investment Portfolio Management Services adopted by RK National Bank Board Resolution No.214 of August 27, 2013; - for pension savings funds – in paragraph 12 of the Regulation on Establishment of Risk Management and Internal Control System by the Unified Pension Savings Fund and Voluntary Pension Savings Funds adopted by RK National Bank Board Resolution No.240 of August 27, 2013;

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		- for the unified securities registrar – in paragraphs 10, 16 and 56 of the Requirements for Availability of Risk Management and Internal Control System in Entities that Maintain Registers of Securities Holders adopted by RK National Bank Board Resolution No.276 of August 24, 2012; - for the stock exchange – in paragraphs 11, 17 and 65 of the Instruction on Availability of Risk Management System in Stock Exchange adopted by Resolution No.244 issued by the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions on November 30, 2009; - for the central depository – in paragraphs 11, 17 and 69 of the Instruction on Requirements for Availability of Risk Management System in the Central Depository adopted by Resolution No.5 issued by the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions on February 1, 2010. Pursuant to RK Prime Minister's Instruction No.101-R of July 4, being developed and adopted were the Requirements for AML/CFT Internal Control Rules: - for the second-tier banks and the National Postal Service Operator – by RK Finance Minister's Order No.521 of November 26, 2014 and by RK National Bank Board Resolution No.235 of December 24, 2014; - for insurance (reinsurance) institutions and insurance brokers – by RK Finance Minister's Order No.523 dated November 26, 2014 and RK National Bank Board Resolution No.238 dated December 24, 2014; - for professional securities market players and the central depository – by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for the stock exchange - by RK Finance Minister's Order No.519 dated November 26, 2014 and RK National Bank Board Resolution No.237 dated December 24, 2014; - for the unified pension savings fund and voluntary pension savings funds - by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for institutions engaged in certain types of banking operations and microfinance organizations - by RK Finance Minister's Order No.518 dated November 26, 2014 and RK National Bank Board Resolution No.236 dated December 24, 2014.

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		Pursuant to the RK Government Instruction a number of regulations will be developed for implementing the AML/CFT Law of 2015. These regulations will include the Requirements for AML/CFT Internal Control Rules of individual and corporate dealers in precious metals, precious stones and articles made thereof, individual and corporate leasing entities operating in the capacity of unlicensed lessors, non-bank e-money operators, pawnshops, individual and corporate real estate agents, credit cooperatives and third-party payment processors.
	7. No information is available on the application of the Core Principles for the AML/CFT purposes in the banking, insurance and securities sectors.	In February – March 2014, the IMF conducted assessment of stability of the Kazakh financial system under the FSAP program, which included assessment of compliance with the Core Principles of the Basel Committee on Banking Supervision, including Principle 29, and review of compliance with the Principles of the International Association of Insurance Supervisors, including Principle 22, and with the principles of IOSCO. The final report was published in August 2014 (available at http://www.imf.org/external/pubs/ft/scr/2014/cr14258.pdf). As for compliance with Principle 29 of the Basel Committee on Banking Supervision, the report indicted the need to bring the provisions of Law No.191-IV, including those pertaining to correspondent relationships and customer due diligence, in line with the international standards. The relevant amendments were introduced into Law No.191-IV in 2014 by Law No.206-V. Furthermore, the Requirements for AML/CFT Rules were developed with due consideration for the results of the assessment conducted by the IMF and the Guide Papers of the Basel Committee on Banking Supervision (Sound Management of Risks Related to Money Laundering and Financing of Terrorism – January 2014), IAIS (Application Paper on Combating Money Laundering and Financing of Terrorism – October 2013) and IOSCO (Anti-Money Laundering Guidance for Collective Investment Schemes – October 2005). As noted above, Law No.206-V introduced amendments to the RK Criminal Code of 1997 which criminalized securities market manipulation (Article 205-2) and misuse of insider information (Article 205-3). In the RK Criminal Code of 2014, the criminal liability for these actions is imposed by Articles 229 and 230, respectively. The substantive provisions prohibiting securities market manipulation (Article 56) and misuse of insider information (Article 56-1) were incuded in the RK Law on Securities

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		Makert in 2003 and 2007, respectively, and were amended several times (the most recent amendments were introduced in 2011). The administrative liability for these actions was established in the RK Code of Administrative Offences of January 20, 2001 in 2005 and in 2007, respectively. Currently, the administrative liability for these actions is imposed by Articles 254 and 259 of the RK Code of Administrative Offences of July 5, 2014.
	8. There are no restrictive measures in place to prevent criminals and their accomplices from entering the sector of postal service operators that provide remittance services.	Paragraphs 1, 6-1 and 7 of Article 30 of the RK Law on Banks and Banking Activity in the Republic of Kazakhstan authorize banks, stock exchange, central depository, interbank transfer system operator, government authorities, credit cooperatives, national postal service operator, e-government payment gateway operator and development bank of Kazakhstan to carry out funds transfer (remittance) transactions in compliance with the RK laws that regulate their activities. According to Article 1(48) of the RK Law on Postal Service financial activities and financial services as they are defined in this Law refer to the activities and services performed and provided by the **National Postal Service Operator** in the financial market in a manner prescribed by the RK legislation. Thus, only the National Postal Service Operator (KazPost) is authorized to carry out funds transfer (remittance) transactions as one of the types of banking activities. No other postal service operators are authorized to carry out funds transfer (remittance) transactions as one of the types of banking activities. Besides that, the RK AML/CFT Law of 2015 amended Article 5 of the RK Law on Postal Service. These amendments prohibit an individual or a legal entity, which founder is an individual or a legal entity which beneficiary owner is an individual who has a non-discharged record of conviction for committing criminal offences covered by Articles215, 237, 238 and 240 of the RK Criminal Code, from operating in the capacity of postal service operator.
	9. The national postal service operator is authorized to carry out remittance transactions without a license. The existing laws contain no requirement concerning ownership of a significant share in the statutory	RK Law No.206-V introduced the “beneficial owner” concept in RK Law No.191-IV, which is defined as “an individual who directly or indirectly owns over twenty five percent interest in the authorized capital or of outstanding shares (net of preferred and repurchased shares) of a corporate customer, as well as an individual who otherwise exercises control over a customer, or for whose benefit a customer carries out transactions with funds and (or) other property (assets)”.

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	capital of entities engaged in certain types of banking operations.	Article 1(11) of the RK Law on Postal Service stipulates that the National Postal Service Operator is the **joint stock company established by the decision of the Government, the only shareholder of which is the national management holding company**, which is in charge of providing public postal communication services, rendering special communication services and performing and providing financial activities and financial services. KazPost offices are spread across the entire country and are located, *inter alia*, in remote regions where no branches and offices of other financial institutions are present. In this context, **provision of remittance services by KazPost without license is permitted due to the special status of this institution.** The Committee for Communications, Information and Information Technologies of the RK Investment and Development Ministry has drafted the RK Laws on Postal Service and on Amendments and Modifications to Certain RK Law Pertaining to Postal Service. In course of examination and consideration of these draft laws, the RK National Bank suggested to establish additional regulatory requirements for KazPost as the financial institution, including licensing all banking services provided by KazPost, including the remittance services. It should be noted that, as of April 1, 2015, KazPost is licensed to accept deposits, open and maintain bank accounts of natural persons, operate in the capacity of the first category broker and dealer, and to operate in the capacity of the transfer agent in the securities market. At the same time, provisions of the AML/CFT Law and Article 168-3 of Code of Administrative Offences apply to KazPost. Besides that, RK Finance Minister's Order No.521 of November 26, 2014 and RK National Bank Resolution No.253 of December 24, 2014 adopted the Requirements for AML/CFT Internal Control Rules of the second-tier banks and the National Postal Service Operator which (the Requirements) apply to financial operations of KazPost. Furthermore, RK Finance Minister's Order No.499 of November 19, 2014 and RK Investment and Development Minister's Order No.182 of November 25, 2014 adopted the Requirements for AML/CFT Internal Control Rules of postal service operators engaged in

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		provision of remittance services which (the Requirements) apply to remittance services provided by KazPost. Article 11 of the RK Law on Government Registration of Legal Entities and Record Registration of Branches and Representative Offices dated April 17, 1995 stipulates that government registration (re-registration) of legal entities shall be denied if an individual who is the founder (shareholder) of a legal entity has a non-discharged record of conviction for involvement in pseudo business and (or) in deliberate or false bankruptcy. Besides that, the RK AML/CFT Law of 2015 introduced amendments into Article 11 of the RK Law on Government Registration of Legal Entities and Record Registration of Branches and Representative Offices which stipulate that government registration (re-registration) of legal entities shall be denied if an individual who is the founder (shareholder) and (or) the chief executive officer of a legal entity is included in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation. RK Law No.206-V introduced the "beneficial owner" concept in RK Law No.191-IV, which is defined as "an individual who directly or indirectly owns over twenty five percent interest in the authorized capital or of outstanding shares (net of preferred and repurchased shares) of a corporate customer, as well as an individual who otherwise exercises control over a customer, or for whose benefit a customer carries out transactions with funds and (or) other property (assets)".
	10. The activities of the national postal service operator (KazPost) related to provision of financial services is not subject to monitoring. The issue pertaining to regulation of KazPost activities related to provision of postal remittance services is unclear.	Article 4 of the RK Law on Postal Services authorizes postal service operators to perform the following types of activities and provide the following services: **1) Provide postal communication services;** 2) Perform financial activities and provide financial services. RK Law No.206-V introduced amendments into Article 6 of the Law on Postal Services, according to which the RK National Bank oversees compliance by the National Postal Service Operator with the RK AML/CFT legislation **in course of performing financial activities and providing financial services**. The designated authority oversees compliance by the National Postal Service Operator with the RK AML/CFT legislation **in course of providing postal remittance services**.

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		The designated authority is the government postal communication agency (the Committee for Communications, Information and Information Technologies of the RK Investment and Development Ministry) that pursues, within the scope of powers vested in it, the government postal communication policy and oversees, coordinates and regulates activities of the postal service operators. Besides that, the RK AML/CFT Law of 2014 introduced amendments to Article 1 of the RK Law on Payments and Fund Transfers, according to which Law on Payments and Fund Transfers regulates relationships arising in course of making payments and transferring funds, except for relationship associated with postal remittances. According to Article 4(2)(4) of the RK Law on Postal Service the postal communication services include postal remittance services. Article 1(32) of the RK Law on Postal Service defines a postal remittance as a remittance service provided with the use of the public postal network or other communication facilities which requires completion of the standard form approved by the designated authority in the postal communications sector. Therefore, the legislation pertaining to payments and fund transfers (the RK Law on Payments and Fund Transfers and RK National Bank Board Resolutions No.179 of April 25, 2000 and No.395 of October 13, 2000) applies to the operation of KazPost as it pertains to carrying out fund transfer transactions (as one of the types of banking activities) involving transfer of funds with the use of bank accounts, which KazPostis authorized to perform, and without use of bank accounts, which KazPost performs in the capacity of the agent of the remittance service providers (Western Union, etc.). The RK National Bank oversees compliance with this legislation. On the other hand, operation of KazPost as it pertains to provision of postal remittance services, i.e. transfer of funds without use of bank accounts not in the capacity of the agent of the remittance service provides, but through the postal network, is regulated by the postal communication legislation (the RK Law on Postal Service and RK Government Resolution No.72 of January 16, 2012 on Adoption of the Postal Communication Service Regulation and the Postal Stamp Regulation). The Committee for Communications, Information and Information Technologies of the RK Investment and Development Ministry oversees compliance with this legislation.

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		As noted above, RK Finance Minister's Order No.521 of November 26, 2014 and RK National Bank Resolution No.253 of December 24, 2014 adopted the Requirements for AML/CFT Internal Control Rules of the second-tier banks and the National Postal Service Operator which (the Requirements) apply to financial operations of KazPost. Furthermore, RK Finance Minister's Order No.499 of November 19, 2014 and RK Investment and Development Minister's Order No.182 of November 25, 2014 adopted the Requirements for AML/CFT Internal Control Rules of postal service operators engaged in provision of remittance services which (the Requirements) apply to remittance services provided by KazPost. Besides that, Law No.206-V introduced a new provision into Article 636 of the RK Code of Administrative Offences of January 30, 2001. According to this new provision the designated officers of the competent authority in the postal communications sector are authorized to draw up formal reports ("protocols") on administrative offences covered by Article 168-3 of the Code of Administrative Offences of 2011 (Article 214 of the Code of Administrative Offences of 2014). The similar provision was included in Article 804 of the Code of Administrative Offences of 2014. Pursuant to the Article 9(2-1) of the RK Law on Government Regulation and Supervision of Financial Market and Financial Institution the designated authority oversees **compliance by financial institutions and the National Postal Service Operator** with the RK AML/CFT legislation as it pertains to recording, retaining and reporting transactions with funds and (or) other property (assets) that are subject to financial monitoring, conducting due diligence with respect to customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring, ensuring security of documents obtained in course of their operations, and arranging for and implementing the internal controls, as prescribed by the RK legislation.
	11. The national postal service operator and mutual insurance companies may carry out certain types of financial transactions without a license.	Clause 880 of the Mutual Evaluation Report indicates that provision of certain financial services in Kazakhstan requires no licensing. In particular, the Law on Licensing (paragraph 2 of Article 7) stipulates that all activities or operations subject to licensing may only be performed/carried out under license, except for activities (operations) conducted by mutual

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		insurance companies and the National Postal Service Operator within the scope of authority vested in them by the RL Laws. Following adoption of RK Law No.202-V on Permits and Notices of May 16, 2014, RK Law No.214 on Licensing dated January 11, 2007 ceased to be in force. However, the aforementioned provision was transposed into Article 28(2)(4) of the Law on Permits and Notices. According to RK Law No.163 on Mutual Insurance dated June 5, 2006 a mutual insurance company is a legal entity incorporated as a consumer cooperative for mutual insurance of property/material interest of its members. And according to Article 4(1) of RK Law No.197 on Consumer Cooperative dated May 8, 2001 a consumer cooperative is a not-profit organization and may be engaged in commercial activity only insofar as it conforms to its charter purposes. Despites the fact that according to the current legislation financial activities and funds accumulation operations of mutual insurance companies are not subject to licensing, these type of activities are regulated and supervised by the RK National Bank. In particular, pursuant to Article 5 of Law No.163-IV on Mutual Insurance of July 5, 2006 the RK National Bank: 1) Keeps the register of mutual insurance companies; 2) Establishes the list, templates, timelines and procedures of submission of reports by mutual insurance companies, except for financial statements; 3) Considers administrative offences and imposes administrative sanctions in compliance with the RK Code of Administrative Offences; 4) Determines the procedure and amount of assets investment by mutual insurance companies; 5) Establishes the list, templates, timelines and procedures of submission of financial statements by mutual insurance companies; 6) Establishes the list, templates, timelines and procedures of submission of primary statics by mutual insurance companies; 7) Discharges other functions as provided for by this Law, other RK laws and Presidential Decrees.

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		Pursuant to Clauses 1(3) and 2 of the Mutual Insurance Company Reporting Regulation adopted by Resolution No.29 issued by the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions on March 1, 2010 mutual insurance companies shall submit the following annual reports and documents using the adopted templates not later than on February 1 of a year following the reporting year: 1) General information on activities and operations of a mutual insurance company; 2) Investment portfolio report; 3) Insurance premium and insurance compensation report; 4) Insurance reserves report. Besides that, pursuant to Article 7 of Law No.163-IV on Mutual Insurance of July 5, 2006 a mutual insurance company shall notify the competent authority in writing of its government registration and submit the following documents within thirty business days following its government registration: 1) Certificate of government registration of a legal entity and notarized copy of its articles of incorporation (charter); 2) Documents certifying the decision on establishing a company. Therefore, postal service operators and mutual insurance companies are covered by the authorization regime and are subject to regulation. On December 31, 2014, the list of suspicious transaction indicators was revised (amendments were introduced into RF Government Resolution No.1484). Now, this list includes transactions which engagement of non-profit organizations which (transactions) are related to charitable activities and (or) other donations.
	12. At the time of mutual evaluation, there was no practice of or statistics on implementation of AML/CFT supervision measures.	In the reporting period, being conducted were 669 audits/inspections of financial institutions which resulted in imposition of fines totaling 37,209 thousand tenge which is the equivalent of over USD 200,000. The audit/inspection statistics broken down by financial institutions is presented in Table 6.
35. Conventions	1. The provisions of the Vienna and Palermo conventions with regard to criminalization of the crime of ML, identification of beneficial owners,	On July 14, 2015, the RK Parliament adopted and submitted for the approval of the RK President the RK Law on Amendments and Modifications to Certain RK Laws pertaining to Combating Legalization (Laundering) of Proceeds of Crime and Financing

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	storage of data and reporting of suspicious transactions are not fully implemented.	of Terrorism. According to this Law Article 218(1) of the RK Criminal Code of 2014 is amended to read as follows: "1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal offences, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime, where such actions are committed on a large scale, – ". Please, note that by the time of consideration of the third follow-up report of Kazakhstan by the Plenary, the amendments and modifications in the RK Criminal Code will come into force, and the delegations will be notified thereof later. The RK AML/CFT Law of 2014 introduced the following **definition of a beneficiary owner** in the AML/CFT Law of 2009: "a beneficiary owner is an individual who directly or indirectly owns over twenty five percent interest in the authorized capital or of outstanding shares (net of preferred and repurchased shares) of a corporate customer, as well as an individual who otherwise exercises control over a customer, or for whose benefit a customer carries out transactions with funds and (or) other property (assets)". As for identification of beneficial owners, RK Law No.206-V supplemented Article 5(3) of the AML/CFT Law by new subparagraph (2-1) according to which, when conducting CDD, entities that are subject to financial monitoring are obliged to identify beneficial owners and record information required for their identification. In order to identify the beneficial owner of a corporate customer, an entity that is subject to financial monitoring shall determine the ownership and control structure of such customer using its instruments of incorporation and the register of shareholders, or information obtained from other sources. If the measures undertaken under this paragraph fail to identify the beneficial owner of a corporate customer, the sole executive body or the head of the executive board of such corporate customer may be recognized as the beneficial owner.

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		Data required for identifying a beneficial owner shall be recorded based on the information and (or) documents provided by a customer (or its representative) or obtained from other sources. Article 11(4) of the AML/CFT Law (as amended by RK Law No.206-V) obliges entities that are subject to financial monitoring to retain documents obtained through the CDD measures, including customer files and business correspondence, for at least five years following termination of business relationship with a customer. Documents and data on transactions that are subject to financial monitoring, *inter alia*, on suspicious transactions as well as findings obtained as a result of examination of all complex, large and other unusual transactions shall be retained by entities that are subject to financial monitoring for at least five years following completion of a transaction. The RK AML/CFT Law of 2014 revised the definition of a suspicious transaction, which now reads as follows: "A suspicious transaction with funds and (or) other property (assets) (hereinafter suspicious transaction) is a customer's transaction (including attempted transaction, transaction which is underway, or completed transaction) that raises suspicion that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities". According to Article 4(3) of the AML/CFT Law suspicious transactions that may be or have been performed shall be subject to financial monitoring irrespective of their form or amount. On December 31, 2014, the list of suspicious transaction indicators was revised (amendments were introduced into RF Government Resolution No.1484) to include "transactions identified as suspicious ones by executive officers of an entity subject to financial monitoring based on their skills and experience". The revised list of suspicious transaction indicators is broken down by general characteristics and types of activities of entities that are subject to financial monitoring. In order to prevent and disrupt ML/FT activities, Article 13(2) of the RK AML/CFT Law of 2014 provides that, upon identification of a suspicious transaction, entities that are

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		subject to financial monitoring are obliged to promptly report such transaction to the designated agency **before it is carried out.** Reports on suspicious transactions that cannot be suspended shall be filed by entities that are subject to financial monitoring with the designated financial monitoring agency not later than in three hours after their performance, or within twenty four hours following identification of such transactions. Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the designated agency not later than the next business day following the day when such transactions was identified as suspicious. The AML/CFT legislation also obliges entities that are subject to financial monitoring to inform the Committee about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other property (assets) on the grounds set forth in Article 13(1) of the AML/CFT Law, and also about freezing/suspension of transactions in the situations specified in Article 13(1-1) of the AML/CFT Law not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure).
	2. The acts related to provision of funds to terrorists or terrorist organizations without intention of carrying out terrorist activities, or not related to a specific terrorist act are not criminalized as required by the Convention for the Suppression of the FT.	The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Terrorism of January 8, 2013 revised Article 233-3(1) (Financing of Terrorist or Extremist Activities and other Support of Terrorism or Extremism) of the RK Criminal Code, which now reads as follows: "… provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial **services to an individual** or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or has known **that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting terrorist group, terrorist or extremist organization and (or) illegal armed group, -**

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		is punishable by imprisonment for up to five years with forfeiture of property (assets)". The same Law introduced the relevant amendments into Article 1(12) of the Law on Combating Terrorism of July 13, 1999. The "terrorist financing" concept includes provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial **services to an individual** or to a group of individuals or to a legal entity by a person who has been aware of terrorist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist activity or for supporting terrorist group, terrorist organization and (or) illegal armed group. Later on, RK Law No.244-V on Amendments and Modifications to Certain RK Laws Pertaining to Combating Extremism and Terrorism of November 3, 2014 introduced similar amendments into Article 1 of the RK AML/CFT Law, which now defines "financing of terrorism" as follows: "Financing of terrorism - provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist activity or for supporting terrorist group, terrorist organization and (or) illegal armed group". The provisions of Article 258(1) of the RK Criminal Code of 2014 remained the same as the provisions of Article 233-3 of the RK Criminal Code of 1997 and read as follows: " Provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or

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		has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting terrorist or extremist group, terrorist or extremist organization and (or) illegal armed group". However, the imprisonment term for this criminal offence was increased form three up to seven years … As noted above, the list of suspicious transaction indicators was revised (amendments were introduced into RF Government Resolution No.1484) to include "transactions identified as suspicious ones by executive officers of an entity subject to financial monitoring based on their skills and experience". The revised list of suspicious transaction indicators is broken down by general characteristics and types of activities of entities that are subject to financial monitoring. **Thus, the current legislation criminalizes financing of terrorism in situations where collection and provision of funds and services to individual terrorists or terrorist organizations is not linked to a specific terrorist act or is done without intention to carry out terrorist activity.** Imposition of criminal liability does not require that provided assets and services were actually used for committing a terrorist act or for pursuing terrorist activity. The RK criminal legislation does not use the word "intention", instead, it uses the word "preparation". Article 24(1) of the RK Criminal Code defines crime preparation as intentionally acquiring, manufacturing or adapting instrumentalities of crime, engaging accomplices, conspiring to commit a criminal offence, or otherwise deliberately creating conditions for committing a criminal offence, where such criminal offence has not been accomplished due to circumstances beyond the perpetrator's control. Paragraph 2 of the aforementioned Article imposes criminal liability for preparation of serious and exceptionally serious criminal offences as well as for preparation of a terrorism-related criminal offences listed in Article 3(30) of the Criminal Code (in Articles 170, 171, 173, 177, 178, 184, 255, 256, 257, 258, 259, 260, 261, 269 and 270 of the RK Criminal Code of 2014).

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		It should be noted that the "threat" is a separate element of some terrorism-related criminal offences (Articles 173 and 255 of the RK Criminal Code) and is criminally punishable as a separate action. For example, if a person threatens to commit a terrorist act, his/ her actions are criminally punishable under Article 255(1) of the RK Criminal Code.
	3. There are deficiencies in compliance with the requirements of Article 18 of the Convention on FT.	The RK AML/CFT legislation was brought in line with the requirements of Article 18 of the International Convention for the Suppression of the Financing of Terrorism. At the time of mutual evaluation, there was no direct prohibition to open anonymous accounts and accounts in fictitious names in Kazakhstan. Following adoption of RK Law No.206-V in 2014, the relevant amendments were introduced into Article 6 of the RK Law on Payments and Fund Transfers, **which now prohibits banks from opening anonymous bank accounts or bank accounts in fictitious names.** Besides that, RK National Bank Board Resolution No.62 dated April 23, 2014 amended Clause 6-1 of the Regulation on Opening, Maintaining and Closing Customer Bank Accounts with RK Banks (adopted by RK National Bank Board Resolution No.226 dated June 2, 2000), which now reads as follows: **"A bank shall open a bank account for a customer after undertaking the due diligence measures prescribed by the RK Law on Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism dated August 28, 2009".** Banks shall refuse to open bank accounts in the situations and on the grounds specified in the Tax Code, **Law on Payments and AML/CFT Law**, and also when a customer fails to provide documents required by these Regulations, or if no transaction between a bank and a customer is carried out. Furthermore, RK Law No.206-V introduced modifications into Article 5 of the RK AML/CFT Law, which now obliges entities that are subject to financial monitoring to record data required for identification of a legal entity (branch, representative office): details of the government (record) registration (re-registration) certificate of a legal entity (branch, representative office) and business identification number or registration number of a non-resident legal entity in foreign country.

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		Following adoption of the RK AML/CFT Law of 2014, the suspicious transaction definition was revised to read as follows: A suspicious transaction is a customer's transaction (including **attempted transaction**, transaction which is underway, or completed transaction) **that raises suspicion that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity** or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. The provision stipulating that suspicious transactions that may be or have been performed shall be subject to financial monitoring irrespective of their form or amount remained unchanged in the 2014 AML/CFT Law. Besides that, according to RK Government Resolution No.1484 when an entity that is subject to financial monitoring suspects that that funds and (or) other property (assets) used for a transaction **are proceeds of criminal activity or transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities**, it shall report such transaction to the designated agency within the established time period. In particular, in order to prevent and disrupt ML/FT activities, Article 13(2) of the RK AML/CFT Law of 2014 provides that, upon identification of a suspicious transaction, entities that are subject to financial monitoring are obliged to promptly report such transaction to the designated agency **before it is carried out.** Reports on suspicious transactions that cannot be suspended shall be filed by entities that are subject to financial monitoring with the designated financial monitoring agency not later than in three hours after their performance, or within twenty four hours following identification of such transactions. Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the designated agency not later than the next business day following the day when such transactions was identified as suspicious. The AML/CFT legislation also obliges entities that are subject to financial monitoring to inform the Committee about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a

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		transaction with funds and (or) other property (assets) on the grounds set forth in Article 13(1) of the AML/CFT Law, and also about freezing/suspension of transactions in the situations specified in Article 13(1-1) of the AML/CFT Law not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure). On December 31, 2014, the list of suspicious transaction indicators was revised (amendments were introduced into RF Government Resolution No.1484) to include "transactions identified as suspicious ones by executive officers of an entity subject to financial monitoring based on their skills and experience". The revised list of suspicious transaction indicators is broken down by general characteristics and types of activities of entities that are subject to financial monitoring. Following adoption of the RK AML/CFT Law of 2014, Article 4(4) of the AML/CFT Law was revised. According to this amended Article a situation, where a customer carries out a complex unusually large transaction or a transaction that has no obvious economic or visible lawful purpose, constitutes grounds for mandatory examination by an entity that is subject to financial monitoring of customer's transactions and recording findings of such examination. Furthermore, pursuant to Article 11 of the AML/CFT Law entities that are subject to financial monitoring shall develop the customers' transactions examination and monitoring program, which includes examination of complex, large and other unusual customers' transactions. Information and details of the identified customer's transactions are provided to the Committee in compliance with RK Government Resolution No.1484. Report on a transaction that is subject to mandatory examination shall be filed by an entity that is subject to financial monitoring with the Committee not later than the next business day following the day when such transactions was identified as suspicious. Besides that, Article 11(4) of the AML/CFT Law of 2014 obliges entities that are subject to financial monitoring to retain documents and information obtained through the CDD measures, including customer files and business correspondence, for at least five years following termination of business relationship with a customer. Documents and data on transactions with funds and (or) other property (assets) that are subject to financial monitoring and on suspicious transactions as well as findings

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		obtained as a result of examination of all complex, large and other unusual transactions shall be retained by entities that are subject to financial monitoring for at least five years following completion of a transaction.
SR.I Implementation of UN Instruments	1. There are deficiencies in compliance with the requirements of Article 18 of the Convention on FT.	The RK AML/CFT legislation was brought in line with the requirements of Article 18 of the International Convention for the Suppression of the Financing of Terrorism. Following adoption of RK AML/CFT Law No.206-V in 2014, the relevant amendments were introduced into Article 6 of the RK Law on Payments and Fund Transfers, **which now prohibits banks from opening anonymous bank accounts or bank accounts in fictitious names.** Besides that, RK National Bank Board Resolution No.62 dated April 23, 2014 amended Clause 6-1 of the Regulation on Opening, Maintaining and Closing Customer Bank Accounts with RK Banks (adopted by RK National Bank Board Resolution No.226 dated June 2, 2000), which now reads as follows: **"A bank shall open a bank account for a customer after undertaking the due diligence measures prescribed by the RK Law on Combating Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism dated August 28, 2009".** Banks shall refuse to open bank accounts in the situations and on the grounds specified in the Tax Code, **Law on Payments and AML/CFT Law**, and also when a customer fails to provide documents required by these Regulations, or if no transaction between a bank and a customer is carried out. Furthermore, RK Law No.206-V introduced modifications into Article 5 of the RK AML/CFT Law, which now obliges entities that are subject to financial monitoring to record data required for identification of a legal entity (branch, representative office): details of the government (record) registration (re-registration) certificate of a legal entity (branch, representative office) and business identification number or registration number of a non-resident legal entity in foreign country. Following adoption of the RK AML/CFT Law of 2014, the suspicious transaction definition was revised as follows: A suspicious transaction is a customer's transaction (including **attempted transaction**, transaction which is underway, or completed transaction) **that raises**

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		suspicion that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. The provision stipulating that suspicious transactions that may be or have been performed shall be subject to financial monitoring irrespective of their form or amount remained unchanged in the 2014 AML/CFT Law. Besides that, according to RK Government Resolution No.1484 when an entity that is subject to financial monitoring suspects that that funds and (or) other property (assets) used for a transaction **are proceeds of criminal activity or transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities**, it shall report such transaction to the designated agency within the established time period. In particular, in order to prevent and disrupt ML/FT activities, Article 13(2) of the RK AML/CFT Law of 2014 provides that, upon identification of a suspicious transaction, entities that are subject to financial monitoring are obliged to promptly report such transaction to the designated agency **before it is carried out.** Reports on suspicious transactions that cannot be suspended shall be filed by entities that are subject to financial monitoring with the designated financial monitoring agency not later than in three hours after their performance, or within twenty four hours following identification of such transactions. Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the designated agency not later than the next business day following the day when such transactions was identified as suspicious. The AML/CFT legislation also obliges entities that are subject to financial monitoring to inform the Committee about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other property (assets) on the grounds set forth in Article 13(1) of the AML/CFT Law, and also about freezing/suspension of transactions in the situations specified in Article 13(1-1) of the AML/CFT Law not later than the next

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		business day following the day when an entity that is subject to financial monitoring made such decision (took such measure). As noted above, on December 31, 2014, the list of suspicious transaction indicators was revised (amendments were introduced into RF Government Resolution No.1484), and the revised list of suspicious transaction indicators is broken down by general characteristics and types of services provided by entities that are subject to financial monitoring. Following adoption of the RK AML/CFT Law of 2014, Article 4(4) of the AML/CFT Law was revised. According to this amended Article a situation, where a customer carries out a complex unusually large transaction with funds and (or) other property (assets) or a transaction that has no obvious economic or visible lawful purpose, constitutes grounds for mandatory examination by an entity that is subject to financial monitoring of customer's transactions and recording findings of such examination. Furthermore, pursuant to Article 11 of the AML/CFT Law entities that are subject to financial monitoring shall develop the customers' transactions examination and monitoring program, which includes examination of complex, large and other unusual customers' transactions. Information and details of the identified customer's transactions are provided to the Committee in compliance with RK Government Resolution No.1484. Report on a transaction that is subject to mandatory examination shall be filed by an entity that is subject to financial monitoring with the Committee not later than the next business day following the day when such transactions was identified as suspicious. Besides that, Article 11(4) of the AML/CFT Law (as amended by RK Law No.206-V) obliges entities that are subject to financial monitoring to retain documents and information obtained through the CDD measures, including customer files and business correspondence, for at least five years following termination of business relationship with a customer. Documents and data on transactions with funds and (or) other property (assets) that are subject to financial monitoring and on suspicious transactions as well as findings obtained as a result of examination of all complex, large and other unusual transactions

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		shall be retained by entities that are subject to financial monitoring for at least five years following completion of a transaction.
	2. A number of legal mechanisms required by UNSCR 1267 and 1373 are missing.	The RK AML/CFT Law of 2015 introduced the following amendments and modifications into the provisions pertaining to "freezing measures". The concept of "freezing of transactions with funds and (or) other property (assets)" was introduced into Article 1 of the AML/CFT Law of 2014. "2-1. **Freezing of transactions with funds and (or) other property (assets)** refers to measures taken by entities that are subject to financial monitoring and government authorities for suspending transfer, conversion, disposal or movement of funds and (or) other property (assets) owned by an entity and (or) by an individual included in the list of entities and individuals linked to financing terrorism and extremism, or by an entity which beneficial owner is an individual included in such list". Article 13(1-1) of the AML/CFT Law **obliges entities that are subject to financial monitoring to take the following measures without delay** (except for the situations specified in Article 12(8) of the AML/CFT Law) **for freezing transactions with funds and (or) other property (assets)** not later than the next business day following the day when information on inclusion of an entity or an individual in the list of entities and individuals linked to financing of terrorism and extremism is posted on the official website of the designated government agency: - Suspend debit transactions carried out through bank accounts of such entity or individual as well as through bank accounts of a customer beneficially owned by such individual; - Suspend execution of instructions regarding payments and remittances without opening bank account given by such individual or by a customer beneficially owned by such individual; - Freeze securities recorded in the registers of securities' holders and in the system of accounting for nominal holding of securities on accounts of such entity or individual as well as on accounts of a customer beneficially owned by such individual; - Refuse to carry out other transactions with funds and (or) other property (assets) performed by such entity or individual, or for their benefit, as well as by a customer

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		beneficially owned by such individual or for the benefit of such customer, except for crediting funds to such individual's bank account. Article 13(2)(4) of the AML/CFT Law of 2014 obliges entities that are subject to financial monitoring **to inform the designated government agency** about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other property (assets) on the grounds set forth in Article 13(1) of this Law, and also about **freezing transactions with funds and (or) other property (assets)** in the situations specified in Article 13(1-1) of this Law not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure). Article 18(2) (1-1) of the AML/CFT Law **obliges the RK government authorities to take measures**, in compliance with the RK legislation, **for freezing transactions with funds and (or) other property (assets)** from the day when information on inclusion of an entity or an individual in the list of entities and individuals linked to financing of terrorism and extremism is posted on official the website of the designated government agency. Pursuant to Article 12(9) of the AML/CFT Law of 2014, upon identification of property (assets), including ring-fenced property (assets) in a legal entity, of a person included in the list of entities and individuals linked to financing of terrorism and extremism, the designated government agency shall immediately report such information to the RK General Prosecutor's Office for seizure of such property (assets). Besides that, following introduction of the "freezing" concept in the national legislation, the relevant modifications were introduced into the RK Laws on Government Registration of Legal Entities and Record Registration of Branches and Representative Offices, on Non-Profit Organizations, on Government Registration of Real Estate Titles, and on Road Traffic: - According to Article 11(4-1) of the Law on Government Registration of Legal Entities and Record Registration of Branches and Representative Offices government registration (re-registration) of a legal entity is denied in a situation where an individual, who is the founder (member) or the chief executive officer of such legal entity, is included

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		in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation; - According to Article 20(3) of the Law on Non-Profit Organization a person included in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation is prohibited from being the founder (member) of a non-profit organization; - According to Article 31(1)(1-1) of the Law Government Registration of Real Estate Titles government registration of the titles to a real estate is denied in a situation where an applicant is included in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation; - According to Article 68(1)(6-1) of the Law on Road Traffic government registration or modification in the registration certificate of a transport vehicle is denied in a situation where a person, who files the application with transport vehicle registration agency, is included in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation. Pursuant to Article 12(1) of the AML/CFT Law the designated government agency (the Financial Monitoring Committee) compiles the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation, posts this list on its official website and disseminates it electronically to the relevant government authorities. At the same time, according to Article 12(2) of the AML/CFT Law the procedure of compilation of the list of entities and individuals linked to financing of terrorism and extremism and its dissemination to the government authorities is established by the joint regulation of the designated government agency and the relevant government authorities.
	3. There are no procedures for de-listing citizens from the list of individuals associated with terrorism and extremism.	The RK Law of 2015 amended Article 12(5) of the AML/CFT Law which now reads as follows: «5. Grounds for exclusion of an entity and an individual from the list of entities and individuals linked to financing of terrorism and extremism are as follows: 1) Revocation of the RK court ruling regarding liquidation of an entity due to its engagements in terrorist activities and (or) extremism in a situation where the liquidation process is not completed yet, and also revocation of the RK court ruling regarding

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		recognition of an entity engaged in terrorist activities or extremism in Kazakhstan and (or) in other countries as terrorist or extremist one; 2) Revocation of the conviction of an individual who was found guilty by the RK court of committing extremism and (or) terrorism-related criminal offence(s); 3) Revocation of court convictions (rulings) and decisions of other competent authorities of foreign countries in respect of entities or individuals engaged in terrorist activities, that (convictions/rulings/decisions) were recognized by Kazakhstan in compliance with the international treaties (agreements) signed by it and with its national legislation; 4) Availability of a documented proof of death of an individual included in the list of of entities and individuals linked to financing of terrorism and extremism; 5) Availability of a documented proof of discharge of the record of conviction of an individual convicted for committing an extremism and (or) terrorism-related criminal offence; 6) Exclusion of an entity or an individual from the list of entities and individuals linked to terrorist organizations or terrorists compiled by the international anti-terrorism organizations or by the agencies authorized by them in compliance with the international treaties (agreements) signed by Kazakhstan; 7) Revocation of sanctions imposed on an entity or an individual under the UNSC terrorism and FT prevention and suppression Resolutions, or exclusion of an entity or an individual from the sanction lists compiled by the UNSC Committees established under the UNSCRs related to prevention and suppression of terrorism and financing of terrorism; 8) Cessation of the circumstances that have given the grounds for including them in the list of entities and individuals linked to terrorist or extremist activities compiled by the RK General Prosecutor's Office based on information provided by the RK law enforcement and special government authorities. Besides that, according to the AML/CFT Law of 2015 entities and individuals who have been mistakenly included in the list of entities and individuals linked to financing of terrorism and extremism, or those who should be but are not excluded from the said list are authorized to file a substantiated written delisting request with the designated government agency.

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		The designated government agency shall consider such delisting requests within a time period established by the RK Law of Procedure of Consideration of Applications of Individuals and Legal Entities and shall make one of the following substantiated decisions: 1) To remove an entity or an individual from the said list; 2) To deny a substantiated delisting request. An applicant is authorized to appeal against decision made by the designated competent agency in court. Exclusion of an entity or an individual from the list of entities and individuals linked to financing of terrorism and extremism constitutes the grounds for unfreezing property (assets) owned by such entity or individual".
	4. There are no mechanisms in Kazakhstan allowing access to the part of the funds needed to satisfy basic living needs as required by UNSCR 1452.	This deficiency is eliminated by amending Article 12 of the AML/CFT Law which now reads as follows: "8. An individual included in the list of entities and individuals linked to financing of terrorism and extremism on the grounds specified in paragraphs 3-6 of Clause 4 of this Article is authorized to request a permit of the designated financial monitoring agency to carry out the following transactions with funds or other property (assets) **for covering his/her basic expenses (basic living needs) and the basic expenses (basic living needs) of his/her dependent family members:** 1) with funds received as salary in amount not exceeding the minimum subsistence level (fixed by the RK Law on National Budget for a given fiscal year) per calendar month per each member of a family; 2) with funds received as pension, educational and/or maintenance allowance, other social benefit under the RK legislation, and also for paying taxes, fines and making other obligatory budgetary payments. **The procedure of making funds available to an individual included in the list of entities and individuals linked to financing of terrorism and extremism for covering his/her basic expenses (basic living needs) is adopted by the designated government agency.**

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		Exclusion of an entity or and individual from the list of entities and individuals linked to financing of terrorism and extremism constitutes the grounds for unfreezing property (assets) owned by such entity or individual." The AML/CFT Law of 2015 modified Article 13(5)(1) of the AML/CFT Law as follows: "Upon making a decision to suspend a suspicious transaction, the designated government agency shall immediately provide this information (except for information related to transactions specified in Article 12(8)(1) of the AML/CFT Law) to the RK General Prosecutor's Office, which shall, within eight hours following receipt of a suspicious transaction suspension report from the designated government agency, forward this information to the relevant law enforcement and special government authorities for making a decision". Besides that, Article 13(5) of the AML/CFT Law was supplemented by new paragraph 4 which reads as follows: "Upon making a decision to suspend a suspicious transaction specified in Article 12(8)(1) of the AML/CFT Law, the designated government agency shall, whiting three business days, make a decision to proceed with the suspended transaction or to reject it and notify the relevant entity that is subject to financial monitoring of its decision".
SR.III Freezing and Confiscation of Terrorist Assets	1. The current regime for suspension of transactions and application of criminal-procedural mechanisms in respect to individuals listed as terrorists raises questions as to the effectiveness of the implementation of Resolutions 1267 and 1373.	The RK AML/CFT Law of 2015 introduced the following amendments and modifications into the provisions pertaining to "freezing measures". The concept of "freezing of transactions with funds and (or) other property (assets)" was introduced into Article 1 of the AML/CFT Law. "2-1. **Freezing of transactions with funds and (or) other property (assets)** refers to measures taken by entities that are subject to financial monitoring and government authorities for suspending transfer, conversion, disposal or movement of funds and (or) other property (assets) owned by an entity and (or) by an individual included in the list of entities and individuals linked to financing terrorism and extremism, or by an entity which beneficial owner is an individual included in such list".

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		Article 13(1-1) of the AML/CFT Law **obliges entities that are subject to financial monitoring to take the following measures without delay** (except for the situations specified in Article 12(8) of the AML/CFT Law) **for freezing transactions with funds and (or) other property (assets)** not later than the next business day following the day when information on inclusion of an entity or an individual in the list of entities and individuals linked to financing of terrorism and extremism is posted on the official website of the designated government agency: - Suspend debit transactions carried out through bank accounts of such entity or individual as well as through bank accounts of a customer beneficially owned by such individual; - Suspend execution of instructions regarding payments and remittances without opening bank account given by such individual or by a customer beneficially owned by such individual; - Freeze securities in the registers of securities' holders and in the system of accounting for nominal holding of securities on accounts of such entity or individual as well as on accounts of a customer beneficially owned by such individual; - Refuse to carry out other transactions with funds and (or) other property (assets) performed by such entity or individual, or for their benefit, as well as by a customer beneficially owned by such individual or for the benefit of such customer, except for crediting funds to such individual's bank account. Article 13(2)(4) of the AML/CFT Law of 2014 obliges entities that are subject to financial monitoring **to inform the designated government agency** about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other property (assets) on the grounds set forth in Article 13(1) of this Law, and also about **freezing transactions with funds and (or) other property (assets)** in the situations specified in Article 13(1-1) of this Law not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure). Article 18(2) (1-1) of the AML/CFT Law **obliges the RK government authorities to take measures**, in compliance with the RK legislation, **for freezing transactions with**

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		funds and (or) other property (assets) from the day when information on inclusion of an entity or an individual in the list of entities and individuals linked to financing of terrorism and extremism is posted on official the website of the designated government agency. Pursuant to Article 12(9) of the AML/CFT Law of 2014, upon identification of property (assets), including ring-fenced property (assets) in a legal entity, of a person included in the list of entities and individuals linked to financing of terrorism and extremism, the designated government agency shall immediately report such information to the RK General Prosecutor's Office for seizure of such property (assets). Besides that, following introduction of the "freezing" concept in the national legislation, the relevant modifications were introduced into the RK Laws on Government Registration of Legal Entities and Record Registration of Branches and Representative Offices, on Non-Profit Organizations, on Government Registration of Real Estate Titles, and on Road Traffic: - According to Article 11(4-1) of the Law on Government Registration of Legal Entities and Record Registration of Branches and Representative Offices government registration (re-registration) of a legal entity is denied in a situation where an individual, who is the founder (member) or the chief executive officer of such legal entity, is included in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation; - According to Article 20(3) of the Law on Non-Profit Organization a person included in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation is prohibited from being the founder (member) of a non-profit organization; - According to Article 31(1)(1-1) of the Law Government Registration of Real Estate Titles government registration of the titles to a real estate is denied in a situation where an applicant is included in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation; - According to Article 68(1)(6-1) of the Law on Road Traffic government registration or modification in the registration certificate of a transport vehicle is denied in a situation where a person, who files the application with transport vehicle registration agency, is

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		included in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation.
	2. There are no effective laws and procedures to examine and give effect to, if applicable, the actions initiated under the freezing mechanisms of other jurisdictions.	The international mutual legal assistance coordination mechanism as well as the procedure of coordination (*inter alia*, regarding ML-related cases) between the Kazakh criminal prosecution agencies and foreign competent authorities and executive officers are established in Section 12 (International Cooperation in Criminal Proceedings) of the RK Criminal Procedure Code of 2014. According to Article 557 of the RK Criminal Procedure Code criminal proceedings provided for by the RK Criminal Procedure Code as well as other measures provided for by other laws and international treaties (agreements) signed by Kazakhstan may be undertaken in course of provision of legal assistance to investigative agencies and courts of foreign countries with which Kazakhstan signed the international legal assistance agreements, or on a reciprocal basis. Where there is no international treaty (agreement), legal or other assistance may be provided in response to a request of a foreign country or requested by the central government authority of Kazakhstan based on the principle of reciprocity in compliance with Article 558 of the RK Criminal Procedure Code of 2014. According the said Article, where the RK central government authority sends a request for assistance to a foreign country, it shall provide the requested party with a written guarantee that it will consider a request of such party for similar assistance in future. Kazakhstan requests and provides legal assistance based on the principle of reciprocity in compliance with the provisions of the RK Criminal Procedure Code of 2014. The international property (assets) seizure and forfeiture cooperation mechanism is set forth in Article 577 (Property (Assets) Tracing, Seizure and Forfeiture) of the revised RK Criminal Procedure Code of July 4, 2014: 1. Upon receipt of a legal assistance request (instruction, application), the Kazakh competent authorities shall undertake the measures provided for by the RK Criminal

		Procedure Code for identification and seizure of property (assets), funds and valuables obtained through crime and owned by a suspect, defendant or convict. 2. Upon seizure of property (assets) specified in the first paragraph of this Article, the necessary provisional measures shall be undertaken for preserving/ securing such property (assets) until a court makes a decision with respect to such property (assets), and a requesting party shall be notified of such measures. 3. At a request of a requesting party, the identified property (assets): 1) May be seized, subject to observation of the requirements set forth in Article 571 of the Criminal Procedure Code, and handed over to the competent authority of a requesting party as the evidence for the purpose of criminal proceedings, or for returning it to a legitimate owner; 2) May be forfeited, if such forfeiture is ordered by the effective court ruling or decision of a requesting party. A court ruling or decision of a requesting party pertaining forfeiture of property (assets) is recognized in a manner specified in Article 608 of the Criminal Procedure Code. 4. Property (assets) seized under paragraph 3(1) of this Article shall not be handed over to a requesting party, or may be handed over in a delayed or temporary manner, if such property (assets) is required for the purpose of civil or criminal proceedings in Kazakhstan, or cannot be moved outside Kazakhstan for other reasons specified in the law. 5. Property (assets) forfeited under paragraph 3(2) of this Article shall be appropriated by the state, except for the situations specified in paragraph 6 of this Article. 6. At the request of the RK central authority, a court may decide to hand over property (assets) forfeited under paragraph 3(2) of this Article or its cash equivalent: 1) To a requesting party which ruled (ordered) forfeiture of such property for compensating damages/losses inflicted by a criminal offence; 2) For sharing a portion of forfeited property (assets) or its cash equivalent in compliance with the international treaties (agreement) signed by Kazakhstan. If execution of a request (instruction, application) requires certain measures that are subject to a court or prosecutors' warrant, such measures shall be undertaken only upon obtaining such warrant in a manner specified in the Criminal Procedure Code, even if the legislation of a requesting party does not require such warrant. Such measures shall be warranted based on the documents provided by a requesting party (Article 571 of the RK Criminal Procedure Code).

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		The procedure of resolving by a court of issues pertaining to enforcement of a conviction or order imposed/issued by a foreign court is set forth in Article 608 of the RK Criminal Procedure Code of 2014: 1. A request filed by the RK General Prosecutor shall be considered by a judge in a courtroom, without presence of a convict or a person placed under involuntary medical treatment, in a manner and within time period specified in the Criminal Procedure Code for resolving issues pertaining to enforcement of a conviction. 2. A judge ruling regarding enforcement of a conviction or order imposed/issued by a foreign court shall specify the following: 1) Name of a foreign court as well as place and time of imposing a conviction or issuing an involuntary medical treatment order; 2) The most recent place of residence (in Kazakhstan) of a convict or a person who is subject to forced medical treatment, his/her employment and occupation before he/she was convicted or placed under involuntary medical treatment; 3) Nature of a criminal offence a person was found guilty of committing, and criminal law under which a person was convicted or placed under involuntary medical treatment; 4) Criminal law of Kazakhstan that imposes liability for a criminal offence committed by a convict or by a person placed under involuntary medical treatment; 5) Type, term and start and expiration dates of a (primary and supplementary) sentence that a convict shall serve in Kazakhstan; name of a penitentiary institution; procedure of compensation of claimed damage/loss; and type of involuntary medical treatment a person is subject to. 3. If the maximum term of imprisonment for a given criminal offence in Kazakhstan is shorter that that imposed by a foreign court, a judge shall mete out the prison term provided for by the RK Criminal Code for committing such criminal offence. If a given offence is not punishable by imprisonment in Kazakhstan, a judge shall impose other punishment in the extent provided for by the RK Criminal Code which is most similar to that passed by a foreign court. 4. If a conviction is imposed for committing two or more criminal offences not all of which are criminalized in Kazakhstan, a judge shall determine what part of a conviction

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		imposed by a foreign court is applicable to actions that constitute a criminal offence in Kazakhstan. 5. In course of consideration of an issue pertaining to enforcement of a conviction, a judge may also make a decision concerning enforcement of a punishment prescribed by a foreign court as it pertains to civil claim and compensation of court costs, if a relevant request is filed. 6. If a conviction or order of a foreign court is quashed or changed, or if an amnesty or pardon is granted in a foreign country or in Kazakhstan to a person who serves a sentence or undergoes involuntary medical treatment in Kazakhstan, a conviction or order shall be changed and amnesty or pardon shall be granted in compliance with the provisions of this Article. 7. If, upon consideration of a request filed by the RK General Prosecutor, a court concludes that the actions for which a person was convicted or placed under involuntary medical treatment do not constitute a criminal offence under the RK legislation, or that a conviction or order of a foreign court cannot be enforced due to expiration of the statute of limitations or due to other reasons provided for by the Kazakh legislation or by the international treaties (agreement) signed by Kazakhstan, a court shall refuse to recognize a conviction or order of a foreign court. An appeal against a court resolution may be filed in a manner and within the time period established in the Criminal Procedure Code for appealing against effective court rulings.
	3. The FIU is not authorized to communicate actions taken under the freezing mechanisms.	Article 13(2)(4) of the AML/CFT Law of 2014 obliges entities that are subject to financial monitoring **to inform the designated government agency** about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other property (assets) on the grounds set forth in Article 13(1) of this Law, and also about **freezing transactions with funds and (or) other property (assets)** in the situations specified in Article 13(1-1) of this Law not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure).

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		At present, the designated financial monitoring agency disseminates freezing reports received from entities that are subject to financial monitoring to the relevant government authorities through the General Prosecutor's Office.
	There is no clear guidance for financial institutions on actions to be taken in the event of detection of a transaction related to persons listed as terrorists.	The RK AML/CFT Law of 2014 introduced new paragraph 1-1 to Article 13 of the AML/CFT Law which obliged entities that are subject to financial monitoring to take the following measures not later than the next business day following the day when they received information on inclusion by the designated government agency of an entity or an individual into the list of entities and individuals linked to financing of terrorism and extremism: - Suspend debit transactions carried out through bank accounts of such entity or individual as well as through bank accounts of a customer beneficially owned by such individual; - Suspend execution of instructions regarding payments and remittances without opening bank account given by such individual or by a customer beneficially owned by such individual; - Freeze securities recorded in the registers of securities' holders and in the system of accounting for nominal holding of securities on accounts of such entity or individual as well as on accounts of a customer beneficially owned by such individual; - Refuse to carry out other transactions with funds and (or) other property (assets) performed by such entity or individual, or for their benefit, as well as by a customer beneficially owned by such individual or for the benefit of such customer. Debit transactions through bank accounts, registration of transactions with securities recorded in the registers of securities' holders and in the system of accounting for nominal holding of securities and also other transactions with funds and (or) other property (assets) of entities and individuals included in the list of entities and individuals linked to financing of terrorism and extremism may be carried out by entities that are subject to financial monitoring based on relevant court rulings, funds collection orders and property (assets) recovery orders issued by the tax and (or) customs authorities, and also in situations when such entities and individuals are removed from the said list in a manner specified in the AML/CFT Law.

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		Besides that, the AML/CFT Law provides that after identifying a transaction as suspicious one, entities that are subject to financial monitoring shall report such transaction to the Committee before it is carried out. Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the Committee not later than the next business day following the day when such transactions was identified as suspicious. The RK AML/CFT Law of 2014 established new requirement in Article 13(2) of the AML/CFT Law which obliged entities that are subject to financial monitoring to inform the Committee about refusal to establish business relationship with a customer, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other property (assets) where it is impossible to undertake CDD measures, and also about suspension of transactions in the situations specified in Article 13(1-1) of the AML/CFT Law not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure). According to the amendments introduced in the AML/CFT Law by the RK AML/CFT Law of 2014, upon receipt of a resolution from the law enforcement and special government authorities indicating the need to suspend a suspicious transaction that is reasonably believed to be linked to financing of terrorism, the Committee shall instruct entities that are subject to financial monitoring to suspend debit transactions through bank accounts of persons that are parties to such suspicious transaction for up to fifteen calendar days. The Committee shall also notify the RK General Prosecutor's Office, law enforcement agencies and special government authorities that issued such resolution of its instruction disseminated to entities that are subject to financial monitoring. According to the introduced amendments and modifications, upon expiration of a time period for which a transaction was suspended in compliance with the instruction of the designated government agency, an entity that is subject to financial monitoring shall carry out such transaction, unless there are other grounds set forth in the RK legislation that prevent performance of such transaction. Besides that, a new provision was introduced into the legislation according to which the Committee shall not be subject to civil or other liability for losses, including lost profits,

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		incurred as a result of suspension of transactions with funds and (or) other property (assets). The RK AML/CFT Law of 2015 revised and introduced some new definitions into the legislation. In particular, the concept of "freezing of transactions with funds and (or) other property (assets)" was introduced, which refers to measures taken by entities that are subject to financial monitoring and government authorities for suspending transfer, conversion, disposal or movement of funds and (or) other property (assets) owned by an entity and (or) by an individual included in the list of entities and individuals linked to financing terrorism and extremism, or by an entity which beneficial owner is an individual included in such list. Furthermore, the RK AML/CFT Law introduced amendments pertaining to implementation of freezing measures. The RK AML/CFT Law of 2015 **obliges entities that are subject to financial monitoring to take measures without delay** (except for provision of funds to an individual for covering his/her basic expenses and basic expenses of his/her dependent family members) **for freezing transactions with funds and (or) other property (assets)** not later than the next business day following the day when information on inclusion of an entity or an individual in the list of entities and individuals linked to financing of terrorism and extremism is posted on the official website of the Committee**.** Besides that, the Law of 2015 revised Article 13(2) which now reads as follows: "Entities that are subject to financial monitoring shall inform the designated government agency about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other property (assets) on the grounds set forth in Article 13(1) of this Law, and also about freezing measures taken in compliance with Article 13(1-1) of this Law not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure)".

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	4. There are no procedures for removal of individuals from the list of persons associated with terrorism and extremism.	The RK Law of 2015 amended Article 12(5) of the AML/CFT Law which now reads as follows: «5. Grounds for exclusion of an entity and an individual from the list of entities and individuals linked to financing of terrorism and extremism are as follows: 1) Revocation of the RK court ruling regarding liquidation of an entity due to its engagements in terrorist activities and (or) extremism in a situation where the liquidation process is not completed yet, and also revocation of the RK court ruling regarding recognition of an entity engaged in terrorist activities or extremism in Kazakhstan and (or) in other countries as terrorist or extremist one; 2) Revocation of the conviction of an individual who was found guilty by the RK court of committing extremism and (or) terrorism-related criminal offence(s); 3) Revocation of court convictions (rulings) and decisions of other competent authorities of foreign countries in respect of entities or individuals engaged in terrorist activities, that (convictions/rulings/decisions) were recognized by Kazakhstan in compliance with the international treaties (agreements) signed by it and with its national legislation; 4) Availability of a documented proof of death of an individual included in the list of entities and individuals linked to financing of terrorism and extremism; 5) Availability of a documented proof of discharge of the record of conviction of an individual convicted for committing an extremism and (or) terrorism-related criminal offence; 6) Exclusion of an entity or an individual from the list of entities and individuals linked to terrorist organizations or terrorists compiled by the international anti-terrorism organizations or by the agencies authorized by them in compliance with the international treaties (agreements) signed by Kazakhstan; 7) Revocation of sanctions imposed on an entity or an individual under the UNSC terrorism and FT prevention and suppression Resolutions, or exclusion of an entity or an individual from the sanction lists compiled by the UNSC Committees established under the UNSCRs related to prevention and suppression of terrorism and financing of terrorism; 8) Cessation of the circumstances that have given the grounds for including them in the list of entities and individuals linked to terrorist or extremist activities compiled by the

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		RK General Prosecutor's Office based on information provided by the RK law enforcement and special government authorities". The Law of 2015 supplemented Article 12 of the AML/CFT Law by new paragraph 7, which reads as follows: "Entities and individuals who have been mistakenly included in the list of entities and individuals linked to financing of terrorism and extremism, or those who should be but are not excluded from the said list are authorized to file a substantiated written delisting request with the designated government agency. The designated government agency shall consider such delisting requests within a time period established by the RK Law of Procedure of Consideration of Applications of Individuals and Legal Entities and shall make one of the following substantiated decisions: 1) To remove an entity or an individual from the said list; 2) To deny a substantiated delisting request. An applicant is authorized to appeal against decision made by the designated competent agency in court". Besides that, Article 12 of the AML/CFT Law was supplemented by new paragraph 8, which stipulates that: "…Exclusion of an entity or an individual from the list of entities and individuals linked to financing of terrorism and extremism constitutes the grounds for unfreezing property (assets) owned by such entity or individual".
	5. Kazakhstan has no mechanisms for authorizing access to the portion of funds necessary for basic expenses, as required by the UN Security Council Resolution 1452.	This deficiency is eliminated by introducing new paragraph 8 into Article 12 of the AML/CFT Law which reads as follows: "An individual included in the list of entities and individuals linked to financing of terrorism and extremism on the grounds specified in paragraphs 3-6 of Clause 4 of this Article is authorized to request a permit of the designated financial monitoring agency to carry out the following transactions with funds or other property (assets) for covering his/her basic expenses (basic living needs) and the basic expenses (basic living needs) of his/her dependent family members: 1) with funds received as salary in amount not exceeding the minimum subsistence level (fixed by the RK Law on National Budget for a given fiscal year) per calendar month per each member of a family; 2) with funds received as pension, educational and/or maintenance allowance, other social benefit under the RK legislation, and also for paying taxes, fines and making other obligatory budgetary payments.

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		The procedure of making funds available to an individual included in the list of entities and individuals linked to financing of terrorism and extremism for covering his/her basic expenses (basic living needs) is adopted by the designated government agency. Exclusion of an entity or and individual from the list of entities and individuals linked to financing of terrorism and extremism constitutes the grounds for unfreezing property (assets) owned by such entity or individual".

III. Actions Taken in Relation to the Other Recommendations (R.2, R.6, R.7, R.8, R.11, R.12, R.15, R.16, R.17, R.18, R.21, R.22, R.24, R.25, R.29, R.30, R.31, R.32, R.33, R.38, R.39, SR.VI, SR.VII, SR.VIII, SR.IX)

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
2. ML Offence – Mental Element and Corporate Liability	1. The legislation of Kazakhstan does not contain provisions imposing criminal or administrative liability on legal entities for money laundering.	According to Article 15(1) of the RK Criminal Code of 2014 (Article 14 of the RK Criminal Code of 1997) sane individuals who are sixteen years old or older by the time of committing a criminal offence are held criminally liable. According to Article 15(2) of the RK Criminal Code of 2014 the age of criminal liability for financing of terrorism is fourteen years old. According to Article 49 of the RK Civil Code a legal entity may be liquidated for any reasons, pursuant to a decision of the owner of its property (assets), or of the body authorized by the owner, and also pursuant to a decision of a body of the legal entity so authorized by its articles of incorporation. Liquidation of a legal entity which is a voluntary pension savings fund, insurance (reinsurance) institution, insurance security fund, special financial company or cotton processing company is carried out subject to consideration for the specificities of the Kazakh legislation pertaining to pension support, insurance activity, insurance security, project finance securitization and cotton industry development. 2. A legal entity may be liquidated by a court ruling in the following cases: 1) Bankruptcy; 2) Recognition of registration of a legal entity as invalid, because of incurable breaches of the legislation committed in the process of its establishment; 3) Absence of a legal entity at its operational location or at its business address, and also absence of its founders (members) and executive officers, without whom a legal entity cannot operate, during one year; 4) **Operating with gross violation of the legislation:** **- systematically carrying out activities that contradict its charter objectives;** **- carrying out activities without the required license, or activities prohibited by**

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		the law; 5) In other cases specified in the legislation. According to Article 21 of the RK Law on Combating Terrorism operation of an organization and its structural unit (branch and representative office) engaged in terrorist activity **shall be prohibited by recognizing it as terrorist one and liquidating it in a manner established by the RK legislation**. Upon liquidation of an organization recognized as terrorist one, the property (assets) owned by such organization (its branch, representative office) in Kazakhstan **shall be forfeited and appropriated by the state**. The procedure of recognizing an organization as terrorist one is specified in Chapter 36-2 (Proceedings on request for recognizing an organization that pursues extremist or terrorist activities in Kazakhstan and (or) in other countries as extremist or terrorist one, including establishing its new name and recognition of information materials imported, published, prepared and (or) distributed in Kazakhstan as extremist or terrorist ones) of the RK Civil Procedure Code. The RK Law of November 3, 2014 introduced a number of amendments and modifications into this Chapter that extended the scope of its application. Recognition of an organization that finance terrorism as terrorist one and its liquidation **does not exempt its founders, managers and other employees directly involved in terrorist financing from criminal liability**. In a situation where a court recognizes a foreign or international organization (its branch, representative office) registered outside Kazakhstan as a terrorist one, operation of such organization (its branch, representative office) in Kazakhstan is prohibited, such organization (its branch, representative office) in Kazakhstan is liquidated, and property (assets) owned by such organization (its branch, representative office) in Kazakhstan is liable to forfeiture and appropriation by the state. Thus, imposition of criminal liability on legal entities, *inter alia*, for financing of terrorism contradicts the fundamental principles of the national criminal legislation.
	2. The legislation does not permit the intention element to be inferred	Preparation for committing a criminal offence is criminally punishable in Kazakhstan.

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	from objective factual circumstances.	Article 24 of the RK Criminal Code of 1997 defines crime preparation as **intentionally** acquiring, manufacturing or adapting instrumentalities of crime, engaging accomplices, **conspiring to commit a criminal offence,** or otherwise deliberately creating conditions for committing a criminal offence, where such criminal offence has not been accomplished due to circumstances beyond the perpetrator's control. Preparation of a serious and exceptionally serious criminal offence as well as preparation of a terrorism-related criminal offence entails criminal liability. The said legal provision contains the intention element that according to paragraph 5 thereof is criminally punishable under the same Article of the Criminal Code of 2014 that imposes criminal liability for a committed criminal offence, with reference to the relevant paragraph of that Article. Pursuant to Article 117 of the RK Criminal Procedure Code of 1997 subject to proof are all circumstances that determine the extent and nature of liability of a defendant and also the extent and nature of harm inflicted by a crime. Advocacy of terrorism and public call for committing terrorist acts are also criminalized in Kazakhstan (Article 256 of the RK Criminal Code of 2014).
	3. Effectiveness of civil liability raises certain doubts due to too general wording of the relevant provisions of the civil legislation.	According to Article 15(1) of the RK Criminal Code of 2014 (Article 14 of the RK Criminal Code of 1997) sane individuals who are sixteen years old or older by the time of committing a criminal offence are held criminally liable. According to Article 15(2) of the RK Criminal Code of 2014 the age of criminal liability for financing of terrorism is fourteen years old. According to Article 49 of the RK Civil Code a legal entity may be liquidated for any reasons, pursuant to a decision of the owner of its property, or of the body authorized by the owner, and also pursuant to a decision of a body of the legal entity so authorized by its articles of incorporation. Liquidation of a legal entity which is a voluntary pension savings fund, insurance (reinsurance) institution, insurance compensation security fund, special financial company or cotton processing company is carried out subject to consideration for the specificities of the Kazakh legislation pertaining to pension support, insurance activity, insurance compensation security, project finance securitization and cotton industry

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		development. 2. A legal entity may be liquidated by a court ruling in the following cases: 1) Bankruptcy; 2) Recognition of registration of a legal entity as invalid, because of incurable breaches of the legislation committed in the process of its establishment; 3) Absence of a legal entity at its operational location or business address, and also absence of its founders (members) and executive officers, without whom a legal entity cannot operate, during one year; 4) **Operating with gross violation of the legislation:** **- systematically carrying out activities that contradict its charter objectives;** **- carrying out activities without the required license, or activities prohibited by the law**; 5) In other cases specified in the legislation.
6. Politically Exposed Persons	1. The requirements set forth in the AML/CFT legislation of Kazakhstan do not apply to consumer credit unions; pawnshops; micro credit organizations; leasing companies; insurance agents; organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, *inter alia*, via electronic terminals.	According to Article 3 of the RK AML/CFT Law adopted in 2009 the following entities fall into the category of entities that are subject to financial monitoring: banks; institutions engaged in certain types of banking operations; stock and commodity exchanges; insurance (reinsurance) institutions; insurance brokers; unified pension savings fund and voluntary pension savings funds; professional securities market players; central depository; notaries; lawyers; other independent legal professionals; audit firms; gambling and lottery operators; and postal service operators rendering remittance services. According to the amended AML/CFT Law the entities that are subject to financial monitoring now also include **microfinance organizations; non-bank e-money operators;** accounting organizations; and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"). The RK AML/CFT Law of 2015 introduced further amendments to Article 3 of the RK AML/CFT Law according to which the following entities also fall in the category of entities that are subject to financial monitoring: - Individual and corporate leasing entities operating in the capacity of unlicensed lessors, - Pawnshops;

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		- Individual and corporate dealers in precious metals, precious stones and articles made thereof; - Individual and corporate real estate agents; - Third-party payment processors. For the purpose of implementation of the RK AML/CFT Law of 2015 the Prime Minister's Decree requires to develop the Requirements for the AML/CFT Internal Control Rules of new entities that are subject to financial monitoring (included in this category in 2015). The RK AML/CFT Law of 2015 amended Annex 3 (Permits and Notices) to the RK Law on Permits and Notices by adding a new notice: **"Notice on commencement and termination of operation of an entity that is subject to financial monitoring in compliance with the RK AML/CFT Law".** Besides that, the RK AML/CFT Law of 2015 extended the powers vested in the designated financial monitoring agency. New subparagraphs 13(1) and 13(2) were added to Article 16 of the AML/CFT Law, according to which the designated agency registers and receives notices from the entities that are subject to financial monitoring listed in Article 3(1)(7)(12-16) of the AML/CFT Law in compliance with the RK Law on Permits and Notices. **Financial leasing entities** As mentioned above, pursuant to the AML/CFT Law of 2015 individual and corporate leasing entities operating in the capacity of unlicensed lessors fall into the category of entities that are subject to financial monitoring. On the other hand, since 2009, leasing entities operating in the capacity of licensed lessors fall into the category of entities that are subject to financial monitoring as institutions engaged in certain types of banking operations. The RK AML/CFT Law of 2015 introduced a new clause (2) into Article 10 of the RK Law on Financial Leasing which reads as follows: "Other corporate and individual leasing entities operating in the capacity of unlicensed lessors shall commence their operations after filing the relevant notice in a manner prescribed by the RK Law on Permits and Notices".

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		Article 11(2) of the RK Law on Financial Leasing was supplemented by new subparagraph (4) pursuant to which lessors are obliged to file information and reports with the designated financial monitoring agency in compliance with the RK AML/CFT Law. **Consumer cooperatives** According to Article 4(1) of the RK Law on Consumer Cooperative a consumer cooperative is a not-profit organization and may be engaged in commercial activity only insofar as it conforms to its charter purposes. On December 31, 2014, the list of suspicious transaction indicators was revised (the relevant amendments were introduced into RK Government Resolution No.1484). Now, this list includes transactions which engagement of non-profit organizations which (transactions) are related to charitable activities and (or) other donations. Besides that, pursuant to Article 11(3-2) of the RK AML/CFT Law of 2014 the Committee, jointly with other government stakeholders, adopted the Requirements for Internal Control Rules of the entities that are subject to financial monitoring, which includes the ML/FT Risk Management Program that covers customer risks and risks related to misuse of services for criminal purposes, *inter alia*, risks related to technological developments (new technologies). According to this Program high risk is assigned to a customer that is a non-profit organization, which is also one of the suspicious transaction indicators. Besides that, the Committee conducts ongoing monitoring of operations of non-profit organizations, including consumer cooperatives. **Micro-credit organizations** On December 16, 2012, RK Law No.56-V on Microfinance Organizations adopted on November 26, 2012 was put into effect, and the RK Law on Micro Credit Organizations dated March 6, 2003 ceased to be in force. Pursuant to the new Law operations of microfinance organizations are regulated by the RK National Bank, *inter alia*, by their registration, keeping the register of microfinance organizations, imposition of prudential regulations and monitoring their compliance with the RK legislation.

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		Article 1(7) of the Law on Microfinance Organizations defines a microfinance organization as a legal commercial entity, the official status of which is determined by the government registration with the justice authorities and by "record registration", and which provides micro loans and performs other types of activities and operations permitted by this Law. As noted above, according to the RKA ML/CFT Law adopted in June 2014 microfinance organizations fall into the category of entities that are subject to financial monitoring. Besides that, new subparagraph 5-1 was added to Article 7(2) of the RK Law on Microfinance Organizations that obliges microfinance organizations to file information and reports with the designated financial monitoring agency in compliance with RK AML/CFT Law. **Pawnshops** As noted above, pawnshops fall into the category of entities that are subject to financial monitoring. Besides that, the AML/CFT Law of 2015 introduced amendments into Article 328 of the RK Civil Code according to which, prior to commencement of their operation, pawnshops are obliged to **notify the designated financial monitoring agency thereof** in a manner prescribed by the RK Law on Permits and Notices, and also comply with the requirements set forth in the RK AML/CFT legislation. **Insurance agents** Pursuant to the Requirements for operation of insurance institutions, *inter alia*, pertaining to relationships among insurance market operators and authorization of insurance agents to provide intermediary services in the insurance market, adopted by Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions, upon **entering into an agreement with an insurance agent**, an insurance institution shall: - Record information on insurance agent in the electronic insurance agents register maintained by a designated employee of the insurance institution;

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		- Arrange for AML/CFT training of insurance agent. Besides that, RK Finance Minister's Order No.523 of 26.11.2014 and RK National Bank Board Resolution No.238 of 24.12.2014 adopted the Requirements for AML/CFT Internal Control Rules of **insurance (reinsurance) institutions and insurance brokers**. These Requirements were registered in the RK National Register of Regulations on February 10, 2015 (Reg.No.10214). All requirements related to compliance by insurance institutions with the RK AML/CFT legislation apply to insurance agents. Article 18(2) of the RK Law on Insurance holds an insurance institution liable for the following actions of its insurance agent: - Entering into insurance agreements and taking actions by an insurant agent that are beyond the authorities and powers granted to such agent, - Entering into insurance agreements covering those types and categories of insurance services that insurance organization is not licensed to provide by the competent authority, - Deliberate misleading/ misinforming an insured party about terms and conditions of the insurance agreement, - Non-compliance with RK legal requirements pertaining to execution of an insurance agreement and on execution of documents needed for entering into such insurance agreement. Pursuant to RK Law No. 338-IV on Amendments and Modifications to Certain RK Laws Pertaining to Insurance dated July 15, 2010 Article 18 of RK Law No.126 on Insurance dated December 18, 2000 was supplemented by new clause 4 which came into effect on January 1, 2012. This new clause prohibits an insurance agent from accepting cash from an insured party as payment of the premium when entering into insurance agreement on behalf or at the direction of an insurance institution. Article 18(5) of RK Law No.126 on Insurance dated December 18, 2000 **prohibits an insurance agent from withholding commission fee due to him under the agency agreement from the premiums received from the insured parties.** **<u>E-money operators</u>** As mentioned above, according to the RK AML/CFT Law of 2014 **non-bank e-money operators** fall into the category of entities that are subject to financial monitoring.

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		Pursuant to Article 36-1(9) of the RK Law on Payments and Fund Transfers an issuer is obliged to provide the designated financial monitoring agency with information on operators which whom he entered into the relevant agreements in compliance with the RK AML/CFT Law. **Third-party payment processors** As noted above, according to the RK AML/CFT Law of 2015 third-party payment processors fall into the category of entities that are subject to financial monitoring. Pursuant to the Law of 2015 information on such entities is provided to the designated financial monitoring agency by the RK National Bank.
	2. No identification of existing customers is performed for recording information on them as well as for determining whether they are politically exposed persons.	Pursuant to Article 8 of the AML/CFT Law, in addition to measures specified in Article 5(3) of the AML/CFT Law, entities that are subject to financial monitoring shall also undertake the following measures in respect of foreign politically exposed persons: 1) Verify whether a customer is and (or) is associated with a foreign politically exposed person, his/her family members and close relatives; 2) Assess the reputation of such foreign politically exposed person to establish whether such foreign PEP has been involved in/ related to ML/FT; 3) Obtain approval of the senior manager for establishing and (or) maintaining business relationships with such customers; 4) Take other available measures for identifying source of funds. Furthermore, pursuant to Article 5(3)(6) of the AML/CFT Law, when conducting customer due diligence, entities that are subject to financial monitoring shall take measures for verifying veracity and updating information on customer (its representative) and beneficial owner. Besides that, the Requirements for Internal Control Rules developed and adopted for the financial sector contain provisions that oblige entities that are subject to financial monitoring to verify veracity of information on customers (their representatives) and beneficial owners depending on level of risk. According to the Customer Transaction Examination and Monitoring Program information on high-risk customers (their representatives) and beneficial owners shall be updated at least once a year.

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	3. Measures for enhanced ongoing monitoring of the relationships with PEPs are not developed.	The Requirements for AML/CFT Internal Control Rules developed for all types of entities that are subject to financial monitoring include the ML/FT Risk Management Program according to which entities that are subject to financial monitoring shall assign high level of risk to a customer who is a foreign PEP, or an official of a foreign public organization, or a person acting in the interest (for the benefit) of a foreign PEP, or is the spouse or close relative of a foreign PEP. The Customer Transaction Examination and Monitoring Program provides that, where a high level of risk is assigned to a customer, entities that are subject to financial monitoring shall examine all transactions carried out by such customer over the last year. Besides that, the RK AML/CFT Law amended Article 5(3) of the AML/CFT Law, which now reads as follows: "Entities that are subject to financial monitoring shall undertake enhanced and simplified CDD measures in the situations and in a manner specified in the internal control rules and also depending on ML/FT risk. Simplified CDD measures undertaken by entities that are subject to financial monitoring include one or several of the following actions: 1) Reducing frequency of updating customer identification data; 2) Reducing frequency of scrutiny of business relationship and examination of transactions carried out by a customer through a given entity that is subject to financial monitoring; 3) Determining purpose and intended nature of business relationship based on the nature of conducted transactions. Simplified CDD measures shall not be undertaken when an entity subject to financial monitoring has reasonable grounds to believe that business relationship is established or a transaction is performed by a customer for ML or FT purposes. **Enhanced CDD measures undertaken by entities that are subject to financial monitoring include, in addition to the measures specified in clause 3 of this Article, one or several of the following actions:** **1) Determining the reason of intended or conducted transactions;** **2) Increasing number and frequency of examinations and identifying nature of transactions that require additional examination;**

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		3) Obtaining approval of the senior manager for establishing and maintaining business relationships with customers".
	4. No timeline is established for regular verification of customer information to identify PEPs among them.	According to the Requirements for AML/CFT Internal Control Rules entities that are subject to financial monitoring shall develop the Customer Transaction Examination and Monitoring Program which involves examination of complex, large and other unusual customer transactions, including identification of above-threshold transactions (Article 4(1) and (2) of the AML/CFT Law) and suspicious transactions (Article 4(3) of the AML/CFT Law). Besides that, pursuant to the Requirements for AML/CFT Internal Control Rules entities that are subject to financial monitoring shall develop the ML/FT Risk Management Program according to which a high level of risk is assigned to customers who are foreign politically exposed persons, their close relatives and representatives. According to the Customer Transaction Examination and Monitoring Program developed in compliance with the Requirements for Internal Control Rules information on high-risk customers (their representatives) and beneficial owners shall be updated at least once a year.
7. Correspondent Banking	1. The legislation of Kazakhstan does not provide for gathering sufficient information on a respondent institution to fully understand the nature of its business, and information on whether it has been subject to AML/CFT sanctions.	Until 2014, Article 9 of the RK AML/CFT Law required to undertake the following due diligence measures when establishing correspondent relationships with foreign financial institutions: gathering information about reputation of a correspondent bank; assessing whether or not a correspondent bank has been involved in/ related to ML/FT; and obtaining approval of the senior manager for establishing new correspondent relationships. Following adoption of the RK AML/CFT Law of 2014, Article 9 of the AML/CFT Law was amended to read as follows: "When establishing correspondent relationships with foreign financial institutions, the entities that are subject to financial monitoring listed in Article 3(1)(1) hereof, apart from undertaking measures specified in Article 5(3) hereof, shall be additionally obliged to: 1) Collect and document (record in writing) information on reputation and on nature of a business of a foreign respondent financial institution, including information on whether it has been subject to sanctions for breaching the AML/CFT legislation of a country of its incorporation/ registration;

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		2) Document (record in writing) information on the AML/CFT internal controls implemented by a foreign respondent financial institution in compliance with the legislation of a country of its incorporation/ registration, and also assess effectiveness of the implemented internal controls; 3) Not to establish and maintain correspondent relationships with shell banks 4) Ascertain that a foreign respondent financial institution does not permit its accounts to be used by shell banks; 5) Obtain approval of the senior manager for establishing new correspondent relationships. Whether or not a foreign respondent financial institution has correspondent relationships with shell banks shall be determined based on the information provided by a foreign respondent financial institution and (or) obtained by an entity that is subject to financial monitoring from other sources." Following adoption of the RK AML/CFT Law of 2015, Article 9(1) of the AML/CFT Law was further revised. In particular, subparagraph 1 was modified to read as follows: "1) Collect and document (record in writing) information on reputation and on nature of a business of a foreign respondent financial institution, including information on whether it has been subject to investigation and sanctions for breaching the AML/CFT legislation of a country of its incorporation/ registration"; Besides that, the said Article as supplemented by new subparagraph 2-1: "2-1) Ascertain (obtain confirmation) that a foreign respondent institution has conducted CDD on a customer having direct access to accounts of the correspondent bank, and that it is able to provide relevant CDD information upon request to the correspondent bank".
	2. There are no requirements to assess the respondent institution's AML/CFT controls and ascertain that they are adequate and effective.	Following adoption of the RK AML/CFT Law of 2014, Article 9 of the AML/CFT Law was amended to read as follows: "When establishing correspondent relationships with foreign financial institutions, the entities that are subject to financial monitoring listed in Article 3(1)(1) hereof, apart from undertaking measures specified in Article 5(3) hereof, shall be additionally obliged to: 1) Collect and document (record in writing) information on reputation and on nature of a business of a foreign respondent financial institution, including information on

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		whether it has been subject to sanctions for breaching the AML/CFT legislation of a country of its incorporation/ registration; 2) Document (record in writing) information on the AML/CFT internal controls implemented by a foreign respondent financial institution in compliance with the legislation of a country of its incorporation/ registration, and also assess effectiveness of the implemented internal controls; 3) Not to establish and maintain correspondent relationships with shell banks; 4) Ascertain that a foreign respondent financial institution does not permit its accounts to be used by shell banks; 5) Obtain approval of the senior manager for establishing a new correspondent relationships. Whether or not a foreign respondent financial institution has correspondent relationships with shell banks shall be determined based on the information provided by a foreign respondent financial institution and (or) obtained by an entity that is subject to financial monitoring from other sources." Following adoption of the RK AML/CFT Law of 2015, Article 9(1) of the AML/CFT Law was further revised. In particular, subparagraph 1 was modified to read as follows: "1) Collect and document (record in writing) information on reputation and on nature of a business of a foreign respondent financial institution, including information on whether it has been subject to investigation and sanctions for breaching the AML/CFT legislation of a country of its incorporation/ registration"; Besides that, the said Article as supplemented by new subparagraph 2-1: "2-1) Ascertain (obtain confirmation) that a foreign respondent institution has conducted CDD on a customer having direct access to accounts of the correspondent bank, and that it is able to provide relevant CDD information upon request to the correspondent bank".
	3. The legislation of Kazakhstan does not require financial institutions to document the AML/CFT responsibilities of each institution.	Following adoption of the RK AML/CFT Law of 2014, Article 9 of the AML/CFT Law was amended to read as follows: "When establishing correspondent relationships with foreign financial institutions, the entities that are subject to financial monitoring listed in Article 3(1)(1) hereof, apart from undertaking measures specified in Article 5(3) hereof, shall be additionally obliged to:

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		1) Collect and document (record in writing) information on reputation and on nature of a business of a foreign respondent financial institution, including information on whether it has been subject to sanctions for breaching the AML/CFT legislation of a country of its incorporation/ registration; 2) Document (record in writing) information on the AML/CFT internal controls implemented by a foreign respondent financial institution in compliance with the legislation of a country of its incorporation/ registration, and also assess effectiveness of the implemented internal controls; 3) Not to establish and maintain correspondent relationships with shell banks; 4) Ascertain that a foreign respondent financial institution does not permit its accounts to be used by shell banks; 5) Obtain approval of the senior manager for establishing a new correspondent relationships. Whether or not a foreign respondent financial institution has correspondent relationships with shell banks shall be determined based on the information provided by a foreign respondent financial institution and (or) obtained by an entity that is subject to financial monitoring from other sources." Following adoption of the RK AML/CFT Law of 2015, Article 9(1) of the AML/CFT Law was further revised. In particular, subparagraph 1 was modified to read as follows: "1) Collect and document (record in writing) information on reputation and on nature of a business of a foreign respondent financial institution, including information on whether it has been subject to investigation and sanctions for breaching the AML/CFT legislation of a country of its incorporation/ registration"; Besides that, the said Article as supplemented by new subparagraph 2-1: "2-1) Ascertain (obtain confirmation) that a foreign respondent institution has conducted CDD on a customer having direct access to accounts of the correspondent bank, and that it is able to provide relevant CDD information upon request to the correspondent bank".
8. New Technologies and	Financial institutions are not obliged to develop and apply special procedures for preventing the	The RK AML/CFT Law of 2014 introduced amendments into Article 11(3) of the AML/CFT Law according to which the AML/CFT internal control rules include, among other things, the ML/FT risk management program that covers customer risks and risks

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Non Face-to-Face Business	misuse of technological developments for money laundering and terrorist financing purposes.	related to misuse of services for criminal purposes, *inter alia*, **risks related misuse of technological developments (new technologies)**. Besides that, the said Article was supplemented by new subparagraph 3-2 according to which the Requirements for Internal Control Rules shall be developed for each type entities that are subject to financial monitoring. These Internal Control Rules Requirements shall be adopted by the regulations of the Committee and the relevant government authorities. In this context, the Requirements for Internal Control Rules of financial institutions were adopted by the Order of the RK Finance Minister and by the Resolution of the RK national Bank Board in 2014. Pursuant to the Requirements for AML/CFT Internal Control Rules of financial institutions entities that are subject to financial monitoring shall conduct annual **assessment of extent to which their services (products) are exposed** to ML/FT risks with due consideration for at least the following specific risk categories: customer type risk, country (geographic) risk, **product (service) risk and (or) product (service) delivery risk.** The services (products, transactions) provided/ carried out by entities that are subject to financial monitoring and methods of their delivery exposed to high ML/FT risks include, *inter alia*, **remote (non-face-to-face) customer services** provided with the use of personal computers, phones and electronic terminals. Furthermore, the customer identification program of entities that are subject to financial monitoring takes into account the specificities of customers served through the remote (non-face-to-face) servicing systems. Besides that, pursuant to Article 30(4) of the RK Law on Banks and Banking Activity banking operations/ transactions may be performed electronically in a manner established by the RK National Bank. Paragraph 39 of the Regulation on establishing procedure of issuing, use and redemption of electronic money and setting out requirements for e-money issuers and e-money systems in the territory of the Republic of Kazakhstan (adopted by RK NB Board Resolution No.102 dated August 26, 2011 No.102) requires an issuer to develop and implement in the electronic money system the administrative and procedural measures for

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		detecting and preventing fraud as well as for combating money laundering and terrorist financing as required by RK Law No.191-IV. RK National Bank Board Resolution No.18 of March 28, 2008 adopted the Regulation on provision of electronic banking services by the second-tier banks and institutions engaged in certain types of banking operations according to which an electronic banking service agreement shall, among other things, contain the security procedures, including procedure of reliable identification a customer and his right to receive the respective electronic banking services. The Regulation on exchanging electronic documents in course of payments and remittances in the Republic of Kazakhstan was adopted by RK National Bank Board Resolution No.146 of April 21, 2000. This Regulation established the requirements for electronic submission of payment and remittance instructions as well as requirements for electronic transmission of messages related to revocation or suspension of such instructions, confirmation of authenticity of previously transmitted instructions or authority to give instructions. This Regulation also requires banks to implement certain security procedures when executing/ carrying out non face-to-face transactions. Besides that, this Regulation has been developed to ensure that payment instructions are executed in a correct and timely manner. The Regulation established the general requirements for applying the security procedures in course of performance of all transactions for, *inter alia*, preventing the misuse of technological developments (new technologies) for ML/FT purposes.
	Financial institutions are not obliged to develop procedures for managing the risks associated with non-face to face business relationships and transactions.	Pursuant to the adopted Requirements for AML/CFT Internal Control Rules of financial institutions entities that are subject to financial monitoring shall conduct annual **assessment of extent to which their services (products) are exposed** to ML/FT risks with due consideration for at least the following specific risk categories: customer type risk, country (geographic) risk, **product (service) risk and (or) product (service) delivery risk.** The services (products, transactions) provided/ carried out by entities that are subject to financial monitoring and methods of their delivery exposed to high ML/FT risks include, *inter alia*, **remote (non-face-to-face) customer services** provided with the use of personal computers, phones and electronic terminals.

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		Furthermore, the customer identification program of entities that are subject to financial monitoring takes into account the specificities of customers served through the remote (non-face-to-face) servicing systems. Besides that, pursuant to Article 30(4) of the RK Law on Banks and Banking Activity banking operations/ transactions may be performed electronically in a manner established by the RK National Bank. Paragraph 39 of the Regulation on establishing procedure of issuing, use and redemption of electronic money and setting out requirements for e-money issuers and e-money systems in the territory of the Republic of Kazakhstan (adopted by RK NB Board Resolution No.102 dated August 26, 2011 No.102) requires an issuer to develop and implement in the electronic money system the administrative and procedural measures for detecting and preventing fraud as well as for combating money laundering and terrorist financing as required by RK Law No.191-IV. RK National Bank Board Resolution No.18 of March 28, 2008 adopted the Regulation on provision of electronic banking services by the second-tier banks and institutions engaged in certain types of banking operations according to which an electronic banking service agreement shall, among other things, contain the security procedures, including procedure of reliable identification a customer and his right to receive the respective electronic banking services. The Regulation on exchanging electronic documents in course of payments and remittances in the Republic of Kazakhstan was adopted by RK National Bank Board Resolution No.146 of April 21, 2000. This Regulation established the requirements for electronic submission of payment and remittance instructions as well as requirements for electronic transmission of messages related to revocation or suspension of such instructions, confirmation of authenticity of previously transmitted instructions or authority to give instructions. This Regulation also requires banks to implement certain security procedures when executing/ carrying out non face-to-face transactions. Besides that, this Regulation has been developed to ensure that payment instructions are executed in a correct and timely manner. The Regulation established the general requirements for applying the security procedures in course of performance of all transactions for, *inter alia*,

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		preventing the misuse of technological developments (new technologies) for ML/FT purposes.
11. Unusual Transactions	1. There is no direct and explicit requirement for financial institutions to pay special attention to all complex and unusual large transactions.	The RK AML/CFT Law of 2014 amended Article 4(4) of the AML/CFT Law, which now reads as follows: " Grounds for mandatory examination by entities that are subject to financial monitoring, of customer transactions and recording the results of such examination in accordance with Article 5 hereof are as follows: 1) Complex, large transaction with funds and (or) other property (assets) or transaction that has no obvious economic or visible lawful purpose carried out by customer; 2) Customer's actions aimed at avoiding the CDD and (or) financial monitoring measures prescribed by this Law; 3) Customer's transaction with funds and (or) other property (assets) that is reasonably believed to be carried out for converting funds obtained through crime into cash; 4) Transaction with funds and (or) other property (assets) the party to which is a person registered (residing) in a country (territory) that does not comply with the Recommendations of the Financial Action Task Force (FATF) as well as with the use of account opened with a bank registered in such country (territory). The list of countries (territories) that do not or insufficiently comply with the Recommendations of the Financial Action Task Force (FATF) is compiled by the designated government agency with due consideration for documents issued by the FATF and is disseminated to the relevant government authorities which communicate it to entities that subject to financial monitoring, except for those listed in Article 3(1)(12) of this Law which are directly notified by the designated government agency". Pursuant to Government Resolution No.1484 entities that are subject to financial monitoring are obliged to file a STR if a transaction meets the following suspicious indicator – an unusual or complex payment/ settlement instruction that is not in line with the common practice.

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		Besides that, pursuant to Article 11(3-2) of the AML/CFT Law the Requirements for Internal Control Rules of the financial sector were developed by the Committee jointly with the RK National Bank. According to these Requirements and pursuant to Article 11 (2) and (3) of the AML/CFT Law the internal control rules shall be developed, adopted and complied with by entities that are subject to financial monitoring and, apart from the requirements for the actions to be undertaken by such entities in course of implementing internal controls, shall contain:…**the customer transaction examination and monitoring program, including examination of complex, large and other unusual customers' transactions.**
	2. There is no requirement to examine all complex and unusual large transactions and to set forth findings in writing.	The RK AML/CFT Law of 2014 amended Article 4(4) of the AML/CFT Law, which now reads as follows: " Grounds for mandatory examination by entities that are subject to financial monitoring, of customer transactions and recording the results of such examination in accordance with Article 5 hereof are as follows: 1) Complex, large transaction with funds and (or) other property (assets) or transaction that has no obvious economic or visible lawful purpose carried out by customer; 2) Customer's actions aimed at avoiding the CDD and (or) financial monitoring measures prescribed by this Law; 3) Customer's transaction with funds and (or) other property (assets) that is reasonably believed to be carried out for converting funds obtained through crime into cash; 4) Transaction with funds and (or) other property (assets) the party to which is a person registered (residing) in a country (territory) that does not comply with the Recommendations of the Financial Action Task Force (FATF) as well as with the use of account opened with a bank registered in such country (territory). The list of countries (territories) that do not or insufficiently comply with the Recommendations of the Financial Action Task Force (FATF) is compiled by the designated government agency with due consideration for documents issued by the FATF and is disseminated to the relevant government authorities which communicate it to entities that subject to financial monitoring, except for those listed in Article 3(1)(12) of this Law which are directly notified by the designated government agency".

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		Article 11(4) of the AML/CFT Law obliges entities that are subject to financial monitoring to retain documents and information obtained through the CDD measures, including customer file and business correspondence, for at least five years after termination of business relationship with a customer. Documents and data on transactions that are subject to financial monitoring, *inter alia*, on suspicious transactions as well as findings obtained as a result of examination of all complex, large and other unusual transactions shall be retained by entities that are subject to financial monitoring for at least five years following completion of a transaction. In order to prevent ML and FT activities, entities that are subject to financial monitoring are obliged by Article 11(2) and (3) of the AML/CFT Law to develop the internal control rules and the program of their implementation and are responsible for ensuring compliance with these rules and for implementing this program. The internal control rules shall be developed, adopted and complied with by entities that are subject to financial monitoring and, apart from the requirements for the actions to be undertaken by such entities in course of implementing internal controls, shall contain: - AML/CFT internal control arrangement program; - ML/FT risk management program covering customer risks, risks of misuse of services for criminal purposes, including risks of misuse of technological developments (new technologies); - Customer identification program; - Customer transaction examination and monitoring program, including examination of complex, large and other unusual transactions; - AML/CFT training program for employees of entities that are subject to financial monitoring; - Other programs that may be developed by entities that are subject to financial monitoring in compliance with the internal control rules. Information obtained in course of implementation of the customer transaction examination and monitoring program, including results of examination of complex, large and other unusual customer transactions, shall be **documented (recorded in writing) and set forth in a customer file**.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	3. There is no requirement to keep findings, obtained in the course of examination and analysis by financial institution of complex and unusual large transactions, for five years.	The RK AML/CFT Law of 2014 added the following new paragraph into Article 11(4) of the AML/CT Law: "…Documents and data on transactions with funds and (or) property (assets) that are subject to financial monitoring, *inter alia*, on suspicious transactions as well as **findings obtained as a result of examination of all complex, large and other unusual transactions shall be retained by entities that are subject to financial monitoring for at least five years following completion of a transaction".**
12. DNFBP – R.5, 6, 8-11	1. Requirements of the RK AML/CFT legislation do not apply to dealers in precious metals and precious stones, trusts (trust management of property), organizations establishing and servicing legal entities, and real estate agents (R.5).	According to Article 3 of the RK AML/CFT Law adopted in 2009 the following entities fall into the category of entities that are subject to financial monitoring: banks; institutions engaged in certain types of banking operations; stock and commodity exchanges; insurance (reinsurance) institutions; insurance brokers; unified pension savings fund and voluntary pension savings funds; professional securities market players; central depository; notaries; lawyers; other independent legal professionals; audit firms; gambling and lottery operators; and postal service operators rendering remittance services. According to AML/CFT Law No.191-IV, as amended by the RK AML/CFT Law of 2014, the entities that are subject to financial monitoring now also include **microfinance organizations; non-bank e-money operators;** accounting organizations; and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"). According to the RK AML/CFT Law of 2015 the following entities also fall in the category of entities that are subject to financial monitoring: - Individual and corporate leasing entities operating in the capacity of unlicensed lessors, - Pawnshops; - Individual and corporate dealers in precious metals, precious stones and articles made thereof; - Individual and corporate real estate agents; - Third-party payment processors. For the purpose of implementation of the RK AML/CFT Law of 2015 the Prime Minister's Decree requires to develop the Requirements for the AML/CFT Internal Control

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		Rules of new entities that are subject to financial monitoring (included in this category in 2015). The RK AML/CFT Law of 2015 amended Annex 3 (Permits and Notices) to the RK Law on Permits and Notices by adding a new notice: **"Notice on commencement and termination of operation of an entity that is subject to financial monitoring in compliance with the RK AML/CFT Law".** Besides that, the RK AML/CFT Law of 2015 extended the powers vested in the designated financial monitoring agency. New subparagraphs 13(1) and 13(2) were added into Article 16 of the AML/CFT Law, according to which the designated agency registers and receives notices from the entities that are subject to financial monitoring listed in Article 3(1)(7)(12-16) of the AML/CFT Law in compliance with the RK Law on Permits and Notices. **Financial leasing entities** As mentioned above, pursuant to the AML/CFT Law of 2015 individual and corporate leasing entities operating in the capacity of unlicensed lessors fall into the category of entities that are subject to financial monitoring. On the other hand, since 2009, leasing entities operating in the capacity of licensed lessors fall into the category of entities that are subject to financial monitoring as institutions engaged in certain types of banking operations. The RK AML/CFT Law of 2015 introduced a new clause (2) into Article 10 of the RK Law on Financial Leasing which reads as follows: "Other corporate and individual leasing entities operating in the capacity of unlicensed lessors shall commence their operations after filing the relevant notice in a manner prescribed by the RK Law on Permits and Notices". Article 11(2) of the RK Law on Financial Leasing was supplemented by new subparagraph (4) pursuant to which lessors are obliged to file information and reports with the designated financial monitoring agency in compliance with the RK AML/CFT Law. **Consumer cooperatives**

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		According to Article 4(1) of the RK Law on Consumer Cooperative a consumer cooperative is a not-profit organization and may be engaged in commercial activity only insofar as it conforms to its charter purposes. On December 31, 2014, the list of suspicious transaction indicators was revised (the relevant amendments were introduced into RK Government Resolution No.1484). Now, this list includes transactions which engagement of non-profit organizations which (transactions) are related to charitable activities and (or) other donations. Besides that, pursuant to Article 11(3-2) of the RK AML/CFT Law the Committee, jointly with other government stakeholders, adopted the Requirements for Internal Control Rules of the entities that are subject to financial monitoring, which includes the ML/FT Risk Management Program that that covers customer risks and risks related to misuse of services for criminal purposes, *inter alia*, risks related to technological developments (new technologies). According to this Program high risk is assigned to a customer that is a non-profit organization, which is also one of the suspicious transaction indicators. Besides that, the Committee conducts ongoing monitoring of operations of non-profit organizations, including consumer cooperatives. **Micro-credit organizations** On December 16, 2012, RK Law No.56-V on Microfinance Organizations adopted on November 26, 2012 was put into effect, and the RK Law on Micro Credit Organizations dated March 6, 2003 ceased to be in force. Pursuant to the new Law operations of microfinance organizations are regulated by the RK National Bank, *inter alia*, by their registration, keeping the register of microfinance organizations, imposition of prudential regulations and monitoring their compliance with the RK legislation. Article 1(7) of the Law on Microfinance Organizations defines a microfinance organization as a legal commercial entity, the official status of which is determined by the government registration with the justice authorities and by "record registration", and which provides micro loans and performs other types of activities and operations permitted by this Law.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		As noted above, according to the RKA ML/CFT Law adopted in June 2014 microfinance organizations fall into the category of entities that are subject to financial monitoring. Besides that, new subparagraph 5-1 was added to Article 7(2) of the RK Law on Microfinance Organizations that obliges microfinance organizations to file information and reports with the designated financial monitoring agency in compliance with RK AML/CFT Law. **Pawnshops** As noted above, pawnshops fall into the category of entities that are subject to financial monitoring. Besides that, the AML/CFT Law of 2015 introduced amendments into Article 328 of the RK Civil Code according to which, prior to commencement of their operation, pawnshops are obliged to **notify the designated financial monitoring agency thereof** in a manner prescribed by the RK Law on Permits and Notices, and also comply with the requirements set forth in the RK AML/CFT legislation. **Insurance agents** Pursuant to the Requirements for operation of insurance institutions, *inter alia*, pertaining to relationships among insurance market operators and authorization of insurance agents to provide intermediary services in the insurance market, adopted by Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions, upon **entering into an agreement with an insurance agent**, an insurance institution shall: - Record information on insurance agent in the electronic insurance agents register maintained by a designated employee of the insurance institution; - Arrange for AML/CFT training of insurance agent. Besides that, RK Finance Minister's Order No.523 of 26.11.2014 and RK National Bank Board Resolution No.238 of 24.12.2014 adopted the Requirements for AML/CFT Internal Control Rules of **insurance (reinsurance) institutions and insurance brokers**.

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		These Requirements were registered in the RK National Register of Regulations on February 10, 2015 (Reg.No.10214). All requirements related to compliance by insurance institutions with the RK AML/CFT legislation apply to insurance agents. Article 18(2) of the RK Law on Insurance holds an insurance institution liable for the following actions of its insurance agent: - Entering into insurance agreements and taking actions by an insurant agent that are beyond the authorities and powers granted to such agent, - Entering into insurance agreements covering those types and categories of insurance services that insurance organization is not licensed to provide by the competent authority, - Deliberate misleading/ misinforming an insured party about terms and conditions of the insurance agreement, - Non-compliance with RK legal requirements pertaining to execution of an insurance agreement and on execution of documents needed for entering into such insurance agreement. Pursuant to RK Law No. 338-IV on Amendments and Modifications to Certain RK Laws Pertaining to Insurance dated July 15, 2010 Article 18 of RK Law No.126 on Insurance dated December 18, 2000 was supplemented by new clause 4 which came into effect on January 1, 2012. This new clause prohibits an insurance agent from accepting cash from an insured party as payment of the premium when entering into insurance agreement on behalf or at the direction of an insurance institution. Article 18(5) of RK Law No.126 on Insurance dated December 18, 2000 **prohibits an insurance agent from withholding commission fee due to him under the agency agreement from the premiums received from the insured parties.** **<u>E-money operators</u>** As mentioned above, according to the RK AML/CFT Law of 2014 **non-bank e-money operators** fall into the category of entities that are subject to financial monitoring. Pursuant to Article 36-1(9) of the RK Law on Payments and Fund Transfers an issuer is obliged to provide the designated financial monitoring agency with information on operators which whom he entered into the relevant agreements in compliance with the RK AML/CFT Law.

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		Third-party payment processors As noted above, according to the RK AML/CFT Law of 2015 third-party payment processors fall into the category of entities that are subject to financial monitoring. Pursuant to the Law of 2015 information on such entities is provided to the designated financial monitoring agency by the RK National Bank.
	2. There is no requirement to undertake CDD measures when carrying out occasional transactions in the amount exceeding US$15,000 or in case of suspected ML (R.5).	The RK AML/CFT Law of 2014 amended Article 5(2) of the RK Law, according to which entities that are subject to financial monitoring are obliged now to conduct CDD on their customers (their representatives) and beneficial owners when: - **establishing business relationship with a customer;** - carrying out transactions with funds and (or) other property (assets) that are subject to financial monitoring, including suspicious transactions … Law No.206-V introduced the "business relationship" concept which is defined as **relationships with customers established in the process of professional operation of entities that are subject to financial monitoring.** Besides that, the RK AML/CFT Law added new paragraph 3-1 into Article 5 of the AML/CFT Law, which now provides an exemption from customer due diligence in the following situations: 1) When unidentified individual owners of electronic money acquire and spend electronic money in amount not exceeding that provided for in Article 36-2(4) of the Law RK Law on Payments and Fund Transfers; 2) When an individual customer deposits, via cash acceptance device, funds into individual's bank account in amount not exceeding 500,000 tenge or foreign currency equivalent; 3) When a customer makes non-cash payment or transfers funds without opening bank account in amount not exceeding 2,000,000 tenge or foreign currency equivalent, unless such transaction is suspicious one; 4) When an individual customer acquires, sells or exchanges foreign currency cash through exchange office in amount not exceeding 2,000,000 tenge or foreign currency equivalent, unless such transaction is suspicious one;

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		5) When an individual customer carries out transaction in amount not exceeding 200,000 tenge or foreign currency equivalent using a payment card other than account access device. *Note: 200,000 tenge is equal to around USD 1,000; 500,000 tenge is equal to around USD 2,500; 2,000,000 tenge is equal to around USD 10,000.* Following adoption of the RK AML/CFT Law of 2014, the suspicious transaction definition was revised to read as follows: a suspicious transaction is a customer's transaction (including attempted transaction, transaction which is underway, or completed transaction) **that raises suspicion that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity** or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. The provision stipulating that suspicious transactions that may be or have been performed shall be subject to financial monitoring irrespective of their form or amount remained unchanged in the 2014 AML/CFT Law.
	3. The term "beneficial owner" is not defined for the purposes of the AML / CFT system (R.5).	RK Law No.206-V introduced the **"beneficial owner" concept** into the AML/CFT Law, which is defined as "an individual who directly or indirectly owns over twenty five percent interest in the authorized capital or of outstanding shares (net of preferred and repurchased shares) of a corporate customer, as well as an individual who otherwise exercises control over a customer, or for whose benefit a customer carries out transactions with funds and (or) other property (assets)".
	4. There is no requirement to verify information obtained as the result of CDD measures (R.5).	Until June 2014, the RK AML/CFT Law contained no obligation to verify information obtained as a result of undertaken CDD measures. This deficiency was eliminated by introducing new paragraph 6 into Article 5(3) of the RK AML/CFT Law of 2014 which requires entities that are subject to financial monitoring **to undertake measures for verifying veracity and updating information on a customer (its representative) and a beneficiary owner.**

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		"Veracity of information required for identification of a customer (its representative) and beneficiary owner shall be verified by cross-checking it against the original documents or notarized copies thereof or against data from the available sources. As for a customer's representative, authority and powers of such person to act on behalf and/or in the interest of the customer shall be subject to additional verification. Data shall be updated if there are grounds to doubt the veracity of previously obtained customer and beneficial owner information, as well as in the situations specified in the internal control rules". Pursuant to Article 10 of the RK AML/CFT Law, when conducting customer due diligence, entities that are subject to financial monitoring are obliged to record (in writing) the customer information as per the list of documents required for performing CDD. Besides that, the Requirements for the Internal Control Rules developed and adopted for the financial sector oblige entities that are subject to financial monitoring to verify veracity of customer (its representative) information depending on level of risk. According to the Customer Transaction Examination and Monitoring Program information on high-risk customer (its representative) and beneficial owner shall be updated at least once a year. RK Finance Minister's Order No.506 of November 20, 2014 on Amendments into RK Finance Minister's Order No.56 of February 12, 2010 on Adoption of the List of Documents Required for Performing CDD (registered with RK Ministry of Justice on May 5, 2015, Reg.No.10932) amended the list of documents required for performing CDD as it pertains to identification and conducting due diligence on customer's representative and beneficial owner.
	5. There is no requirement to undertake CDD measures in respect of a customer who falls in the high risk category (R.5).	The RK Law of 2015 introduced new paragraph 7 into Article 5 which reads as follows: "… Entities that are subject to financial monitoring shall undertake enhanced and simplified CDD measures in the situations and in a manner specified in the internal control rules and also depending on ML/FT risk. Simplified CDD measures undertaken by entities that are subject to financial monitoring include one or several of the following actions:

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		1) Reducing frequency of updating customer identification data; 2) Reducing frequency of scrutiny of business relationship and examination of transactions carried out by a customer through a given entity that is subject to financial monitoring; 3) Determining purpose and intended nature of business relationship based on the nature of conducted transactions. **Simplified CDD measures** shall not be undertaken when an entity subject to financial monitoring has reasonable grounds to believe that business relationship is established or a transaction is performed by a customer for ML or FT purposes. **Enhanced CDD measures** undertaken by entities that are subject to financial monitoring include, in addition to the measures specified in clause 3 of this Article, one or several of the following actions: 1) Determining the reason of intended or conducted transactions; 2) Increasing number and frequency of examinations and identifying nature of transactions that require additional examination; 3) Obtaining approval of the senior manager for establishing and maintaining business relationships with customers …".
	6. There is no requirement to conduct ongoing monitoring of customer' transactions (R.5).	The RK AML/CFT Law of 2014 amended Article 5(3)(5) of the AML/CFT Law. According to the revised subparagraph one of the CDD measures is ongoing monitoring of business relationship and examination of transactions carried out by a customer through a given entity that is subject to financial monitoring, which includes obtaining and recording information on source(s) of funding of the performed transactions, where necessary. The Requirements for Internal Control Rules adopted for the non-financial sector provide that in order to comply with the CDD requirements set forth in the AML/CFT Law and to file above-threshold and suspicious transaction reports with the Committee, an entity that is subject to financial monitoring shall develop the customer transaction examination and monitoring program.
	7. The legislation does not specify how frequently the data on the existing customers shall be updated,	Pursuant to the RK AML/CFT Law of 2014 Article 5(3) of the AML/CFT Law was supplemented by new paragraph 6 according to which information shall be updated when there are reasonable grounds to doubt veracity of previously obtained customer and

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	and contains no provision for application against such customers of the entire set of CDD measures (R.5).	beneficial owner information and also in the situations specified in the internal control rules. According to the Customer Identification Program and the Requirements for AML/CFT Internal Control Rules data obtained as a result of customer identification shall be updated each time when such information changes. Besides that, information on a high-risk customer (its representative) and beneficial owner shall be updated at least twice per year.
	8. The CDD measures do not include responsibility to identify and record information on customers who were already clients of the financial institution at the time of the enactment of the AML / CFT law (R.5).	According to Article 5(3)(1) and (2) of the AML/CFT Law due diligence conducted by entities that are subject to financial monitoring in respect of their customers (their representatives) and beneficial owners includes implementation of the following measures: 1) Recording data required for identification of an individual: details of his/her identity document, personal identification number (except where personal identification number has not been assigned to an individual under the legislation of the Republic of Kazakhstan) and legal address; 2) Recording data required for identification of a legal entity (branch, representative office): details of the government (record) registration (re-registration) certificate of a legal entity (branch, representative office), business identification number (except where business identification number has not been assigned to a legal entity under the legislation of the Republic of Kazakhstan) or registration number of non-resident legal entity in a foreign country, and business address. The Requirements for Internal Control Rules developed and adopted for the non-financial sector specify the procedure of recording information and retaining documents and data obtained as a result of implementation of the AML/CFT internal controls, including customer files and business correspondence, documents and details of transactions that are subject to financial monitoring, *inter alia*, suspicious transactions, and results of examination of all complex, large and other unusual transactions. According to Article 5(2)(2) entities that are subject to financial monitoring shall undertake CDD measures in respect to customers (their representatives) and beneficial

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		owners when carrying out transactions with funds and (or) other property (assets) that are subject to financial monitoring, including suspicious transactions …
	9. Low effectiveness of the system caused by the recent entry into force of the relevant requirements (R.5).	*In the reporting period, being conducted were 2,217 audits/inspections of non-financial institutions which resulted in imposition of fines totaling 31,333.5 thousand tenge which is the equivalent of over USD 168,000.* *The audit/inspection statistics broken down by financial institutions is presented in Table 6.*
	10. No identification of the existing customers for the purpose of recording their data and determining their relation to PEPs is carried out (R.6).	Pursuant to Article 8 of the AML/CFT Law, in addition to measures specified in Article 5(3) of the AML/CFT Law, entities that are subject to financial monitoring shall also undertake the following measures in respect of foreign politically exposed persons: 1) Verify whether a customer is and (or) is associated with a foreign politically exposed person, his/her family members and close relatives; 2) Assess the reputation of such foreign politically exposed person to establish whether such foreign PEP has been involved in/ related to ML/FT; 3) Obtain approval of the senior manager for establishing and (or) maintaining business relationships with such customers; 4) Take other available measures for identifying source of funds. Furthermore, pursuant to Article 5(3)(6) of the AML/CFT Law, when conducting customer due diligence, entities that are subject to financial monitoring shall take measures for verifying veracity and updating information on customer (its representative) and beneficial owner. Besides that, the Requirements for Internal Control Rules developed and adopted for the non-financial sector oblige entities that are subject to financial monitoring to identify and update previously obtained information on customers (their representatives) and beneficial owners, including information on source(s) of funding of customers' transactions. The said Requirements also include the procedures for verifying veracity of information of customer (its representative) and beneficial owner in compliance with Article 5(3)(6) of the AML/CFT Law.
	11. No measures for enhanced ongoing monitoring of relationships	The Requirements for AML/CFT Internal Control Rules developed for all types of entities that are subject to financial monitoring include the ML/FT Risk Management

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	with PEPs relations have been developed (R.6).	Program according to which entities that are subject to financial monitoring shall assign high level of risk to a customer who is a foreign PEP, or an official of a foreign public organization, or a person acting in the interest (for the benefit) of a foreign PEP, or is the spouse or close relative of a foreign PEP. The Customer Transaction Examination and Monitoring Program provides that, where a high level of risk is assigned to a customer, entities that are subject to financial monitoring shall examine all transactions carried out by such customer over the last year. Besides that, the RK AML/CFT Law amended Article 5(3) of the AML/CFT Law, which now reads as follows: "Entities that are subject to financial monitoring shall undertake enhanced and simplified CDD measures in the situations and in a manner specified in the internal control rules and also depending on ML/FT risk. Simplified CDD measures undertaken by entities that are subject to financial monitoring include one or several of the following actions: 1) Reducing frequency of updating customer identification data; 2) Reducing frequency of scrutiny of business relationship and examination of transactions carried out by a customer through a given entity that is subject to financial monitoring; 3) Determining purpose and intended nature of business relationship based on the nature of conducted transactions. Simplified CDD measures shall not be undertaken when an entity subject to financial monitoring has reasonable grounds to believe that business relationship is established or a transaction is performed by a customer for ML or FT purposes. **Enhanced CDD measures undertaken by entities that are subject to financial monitoring include, in addition to the measures specified in clause 3 of this Article, one or several of the following actions:** **1) Determining the reason of intended or conducted transactions;** **2) Increasing number and frequency of examinations and identifying nature of transactions that require additional examination;** **3) Obtaining approval of the senior manager for establishing and maintaining business relationships with customers".**

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	12. No timelines for conducting regular review of customers to identify PEPs among are set (R.6).	According to the Requirements for AML/CFT Internal Control Rules entities that are subject to financial monitoring shall develop the Customer Transaction Examination and Monitoring Program which involves examination of complex, large and other unusual customer transactions, including identification of above-threshold transactions (Article 4(1) and (2) of the AML/CFT Law) and suspicious transactions (Article 4(3) of the AML/CFT Law). Besides that, pursuant to the Requirements for AML/CFT Internal Control Rules entities that are subject to financial monitoring shall develop the ML/FT Risk Management Program according to which a high level of risk is assigned to customers who are foreign politically exposed persons, their close relatives and representatives. According to the Customer Transaction Examination and Monitoring Program and the Requirements for Internal Control Rules information on a high-risk customer (its representative) and beneficial owner shall be updated at least twice per year.
	13. The responsibility of DNFBPs to develop and apply special procedures intended for preventing the misuse of technological developments for the ML/FT purposes is not defined (R.8).	Law No.206-V introduced amendments into Article 11(3) of the AML/CFT Law according to which the AML/CFT internal control rules include, among other things, the ML/FT risk management program that covers customer risks and risks related to misuse of services for criminal purposes, *inter alia*, **risks related misuse of technological developments (new technologies)**. Besides that, the said Article was supplemented by new subparagraph 3-2 according to which the Requirements for Internal Control Rules shall be developed for each type entities that are subject to financial monitoring. These Internal Control Rules Requirements shall be adopted by the regulations of the Committee and the relevant government authorities. Pursuant to subparagraph 3-2 of the ML/CFT Law the following regulations were adopted:

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		1. Joint RK Finance Minister's Order No.531 of November 28, 2014 and Justice Minister's Order No.360 of December 11, 2014 adopted the Internal Control Rules Requirements for notaries; 2. RK Finance Minister's Order No.526 of November 27, 2014 adopted the Internal Control Rules Requirements for audit firms; 3. RK Finance Minister's Order No.477 of November 5, 2014 adopted the Internal Control Rules Requirements for accounting organizations and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"); 4. Joint RK Finance Minister's Order No.532 of November 28, 2014 and acting National Economy Minister's Order No.119 of November 28, 2014 adopted the Internal Control Rules Requirements for commodity exchange; 5. Joint RK Finance Minister's Order No.499 of November 19, 2014 and Investment and Development Minister's Order No.182 of November 25, 2014 adopted the Internal Control Rules Requirements for postal service operators that render remittance services; ***6.*** Joint RK Finance Minister's Order No.527 of November 27, 2014 and Culture and Sports Minister's Order No.112 of November 26, 2014 adopted the Internal Control Rules Requirements for gambling and lottery operators. According to these Requirements for AML/CFT Internal Control Rules adopted for the non-financial sector the Internal Control Rules include the ML/FT risk management program that covers customer risks and risks related to misuse of services for criminal purposes, *inter alia*, risks related misuse of technological developments (new technologies).
	14. Legal requirements for storing identification data are limited (R.8).	The RK AML/CFT Law of 2014 introduced amendments into Article 11(4) of the AML/CFT Law according to which entities that are subject to financial monitoring are obliged

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		to retain **documents and information obtained through CDD**, including customer file and business correspondence, **for at least five years** after termination of customer relationship. The similar requirement is established in the Requirements for AML/CFT Internal Control Rules developed and adopted for all types of entities that are subject to financial monitoring. Therefore, the Internal Control Rules of entities that are subject to financial monitoring shall include the procedure of retaining **documents and information obtained through CDD**, including customer file and business correspondence.
	15. There are no legal requirements for DNFBPs to store of data on transactions with funds and (or) other assets for at least 5 years (R.10).	The RK AML/CFT Law of 2014 introduced amendments into Article 11(4) of the AML/CFT Law which now reads as follows: "Documents and information obtained through CDD, including customer file and business correspondence, shall be retained by entities that are subject to financial monitoring for at least five years after termination of customer relationship. Documents and details of transactions with funds and (or) other property (assets) that are subject to financial monitoring, including suspicious transactions, and results of examination of all complex, large and other unusual transactions shall be retained by entities that are subject to financial monitoring for at least five years after completion of a transaction". This requirement is established in the Requirements for AML/CFT Internal Control Rules developed and adopted for the non-financial sector. Pursuant to this requirement entities that are subject to financial monitoring are obliged to undertake measures for retaining documents and information obtained through CDD, including customer file and business correspondence, documents and details of transactions with funds and (or) other property (assets) that are subject to financial monitoring, including suspicious transactions, and results of examination of all complex, large and other unusual transactions, for at least five years after termination of customer relationship.
	16. There is no clear legal requirement to store all identification data obtained as the result of CDD measures (R.10).	The RK AML/CFT Law of 2014 introduced amendments into Article 11(4) of the AML/CFT Law which now reads as follows: "Documents and information obtained through CDD, including customer file and business correspondence, shall be retained by entities that are subject to financial monitoring for at least five years after termination of customer relationship.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		Documents and details of transactions with funds and (or) other property (assets) that are subject to financial monitoring, including suspicious transactions, and results of examination of all complex, large and other unusual transactions shall be retained by entities that are subject to financial monitoring for at least five years after completion of a transaction". This requirement is established in the Requirements for AML/CFT Internal Control Rules developed and adopted for the non-financial sector. Pursuant to this requirement entities that are subject to financial monitoring are obliged to undertake measures for retaining documents and information obtained through CDD, including customer file and business correspondence, documents and details of transactions with funds and (or) other property (assets) that are subject to financial monitoring, including suspicious transactions, and results of examination of all complex, large and other unusual transactions, for at least five years after termination of customer relationship.
	17. There is no clear legal requirement for timely provision at the request of the competent authorities of all customer and transaction data (R.10).	According to Article 18(3) of the AML/CFT Law the law enforcement and special government authorities file requests for information on transactions that are subject to financial monitoring with the designated government agency upon obtaining the relevant approval of the RK General Prosecutor or his deputies. The law enforcement and special government authorities file requests for information pertaining to ML/FT-related cases registered in a manner established by the Kazakh legislation. The designated government agency shall respond to requests of the law enforcement and special government using data and information on transactions that subject to financial monitoring available in the national AML/CFT database and data and information received from foreign competent AML/CFT authorities. Data and information on transactions that are subject to financial monitoring shall be provided to the designated foreign intelligence service in a manner established by a joint regulation adopted by the foreign intelligence service, RK General Prosecutor's Office and the designated government agency. According to Article 18(5) of the AML/CFT Law dissemination by the designated government agency of data and information on transactions that subject to financial monitoring, including suspicious transactions, to the RK General Prosecutor's Office,

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		special government authorities and law enforcement agencies does not constitute disclosure of official, commercial, banking or other secrets protected by the law. Pursuant to Article 18(5-1) of the AML/CFT Law the designated government agency shall not provide data and information on transactions that subject to financial monitoring and on customers of entities that are subject to financial monitoring in a manner other than that specified in this Law.
	18. There is no direct requirement for non-financial institutions to pay special attention to all complex and unusually large transactions (R.11).	The RK AML/CFT Law of 2014 amended Article 4(4) of the AML/CFT Law, which now reads as follows: " Grounds for mandatory examination by entities that are subject to financial monitoring, of customer transactions and recording the results of such examination in accordance with Article 5 hereof are as follows: 1) Complex, large transaction with funds and (or) other property (assets) or transaction that has no obvious economic or visible lawful purpose carried out by customer; 2) Customer's actions aimed at avoiding the CDD and (or) financial monitoring measures prescribed by this Law; 3) Customer's transaction with funds and (or) other property (assets) that is reasonably believed to be carried out for converting funds obtained through crime into cash; 4) Transaction with funds and (or) other property (assets) the party to which is a person registered (residing) in a country (territory) that does not comply with the Recommendations of the Financial Action Task Force (FATF) as well as with the use of account opened with a bank registered in such country (territory). The list of countries (territories) that do not or insufficiently comply with the Recommendations of the Financial Action Task Force (FATF) is compiled by the designated government agency with due consideration for documents issued by the FATF and is disseminated to the relevant government authorities which communicate it

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		to entities that subject to financial monitoring, except for those listed in Article 3(1)(12) of this Law which are directly notified by the designated government agency". Pursuant to Government Resolution No.1484 entities that are subject to financial monitoring are obliged to file a STR if a transaction meets the following suspicious indicator – an unusual or complex payment/ settlement instruction that is not in line with the common practice. Besides that, the Requirements for Internal Control Rules developed and adopted for the DNFBP sector includes the Customer Transaction Examination and Monitoring Program, including examination of all complex, large and other unusual transactions.
	19. There is no requirement to study all complex and unusually large transactions and record the findings in writing (R.11).	The RK AML/CFT Law of 2014 amended Article 4(4) of the AML/CFT Law, which now reads as follows: " Grounds for mandatory examination by entities that are subject to financial monitoring, of customer transactions and recording the results of such examination in accordance with Article 5 hereof are as follows: 1) Complex, large transaction with funds and (or) other property (assets) or transaction that has no obvious economic or visible lawful purpose carried out by customer; 2) Customer's actions aimed at avoiding the CDD and (or) financial monitoring measures prescribed by this Law; 3) Customer's transaction with funds and (or) other property (assets) that is reasonably believed to be carried out for converting funds obtained through crime into cash; 4) Transaction with funds and (or) other property (assets) the party to which is a person registered (residing) in a country (territory) that does not comply with the Recommendations of the Financial Action Task Force (FATF) as well as with the use of account opened with a bank registered in such country (territory). The list of countries (territories) that do not or insufficiently comply with the Recommendations of the Financial Action Task Force (FATF) is compiled by the

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		designated government agency with due consideration for documents issued by the FATF and is disseminated to the relevant government authorities which communicate it to entities that subject to financial monitoring, except for those listed in Article 3(1)(12) of this Law which are directly notified by the designated government agency". Pursuant to Article 11(4) of the AML/CFT Law documents and information obtained through CDD, including customer file and business correspondence, shall be retained by entities that are subject to financial monitoring for at least five years after termination of business relationship with a customer. Documents and details of transactions with funds and (or) other property (assets) that are subject to financial monitoring, including suspicious transactions, and results of examination of all complex, large and other unusual transactions shall be retained by entities that are subject to financial monitoring for at least five years after completion of a transaction. In order to prevent ML and FT activities, entities that are subject to financial monitoring are obliged by Article 11(2) and (3) of the AML/CFT Law to develop the internal control rules and the program of their implementation and are responsible for ensuring compliance with these rules and for implementing this program. The internal control rules shall be developed, adopted and complied with by entities that are subject to financial monitoring and, apart from the requirements for the actions to be undertaken by such entities in course of implementing internal controls, shall contain: - AML/CFT internal control arrangement program; - ML/FT risk management program covering customer risks, risks of misuse of services for criminal purposes, including risks of misuse of technological developments (new technologies); - Customer identification program; - Customer transaction examination and monitoring program, including examination of complex, large and other unusual transactions; - AML/CFT training program for employees of entities that are subject to financial monitoring;

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		- Other programs that may be developed by entities that are subject to financial monitoring in compliance with the internal control rules. Furthermore, the Requirements for Internal Control Rules developed and adopted for the DNFBP sector includes the Customer Transaction Examination and Monitoring Program, including examination of all complex, large and other unusual customer transactions. According to this Program the information through its implementation shall be documented (recorded in writing) and set forth in a customer file.
	20. There is no requirement to store the findings obtained as a results of study and analysis of complex and unusually large transactions conducted by non-financial institutions for a period of 5 years (R.11).	The RK AML/CFT Law of 2014 added the following new paragraph into Article 11(4) of the AML/CT Law: "…Documents and data on transactions with funds and (or) property (assets) that are subject to financial monitoring, *inter alia*, on suspicious transactions as well as **findings obtained as a result of examination of all complex, large and other unusual transactions shall be retained by entities that are subject to financial monitoring for at least five years following completion of a transaction".**
15. Internal Controls, Compliance and Audit.	1. The requirements set forth in the AML/CFT legislation of Kazakhstan do not apply to a number of institutions that fall within the financial institution category: leasing companies; consumer credit unions; pawnshops; micro credit organizations; insurance agents; organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency	According to Article 3 of the RK AML/CFT Law adopted in 2009 the following entities fall into the category of entities that are subject to financial monitoring: banks; institutions engaged in certain types of banking operations; stock and commodity exchanges; insurance (reinsurance) institutions; insurance brokers; unified pension savings fund and voluntary pension savings funds; professional securities market players; central depository; notaries; lawyers; other independent legal professionals; audit firms; gambling and lottery operators; and postal service operators rendering remittance services. According to AML/CFT Law, as amended by the RK AML/CFT Law of 2014, the entities that are subject to financial monitoring now also include **microfinance organizations; non-bank e-money operators;** accounting organizations; and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"). According to the RK AML/CFT Law of 2015 the following entities also fall in the category of entities that are subject to financial monitoring:

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	contract, *inter alia*, via electronic terminals.	- Individual and corporate leasing entities operating in the capacity of unlicensed lessors, - Pawnshops; - Individual and corporate dealers in precious metals, precious stones and articles made thereof; - Individual and corporate real estate agents; - Third-party payment processors. For the purpose of implementation of the RK AML/CFT Law of 2015 the Prime Minister's Decree requires to develop the Requirements for the AML/CFT Internal Control Rules of new entities that are subject to financial monitoring (included in this category in 2015). The RK AML/CFT Law of 2015 amended Annex 3 (Permits and Notices) to the RK Law on Permits and Notices by adding a new notice: **"Notice on commencement and termination of operation of an entity that is subject to financial monitoring in compliance with the RK AML/CFT Law".** Besides that, the RK AML/CFT Law of 2015 extended the powers vested in the designated financial monitoring agency. New subparagraphs 13(1) and 13(2) were added into Article 16 of the AML/CFT Law, according to which the designated agency registers and receives notices from the entities that are subject to financial monitoring listed in Article 3(1)(7)(12-16) of the AML/CFT Law in compliance with the RK Law on Permits and Notices. **Financial leasing entities** As mentioned above, pursuant to the AML/CFT Law of 2015 individual and corporate leasing entities operating in the capacity of unlicensed lessors fall into the category of entities that are subject to financial monitoring.

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		On the other hand, since 2009, leasing entities operating in the capacity of licensed lessors fall into the category of entities that are subject to financial monitoring as institutions engaged in certain types of banking operations. The RK AML/CFT Law of 2015 introduced a new clause (2) into Article 10 of the RK Law on Financial Leasing which reads as follows: "Other corporate and individual leasing entities operating in the capacity of unlicensed lessors shall commence their operations after filing the relevant notice in a manner prescribed by the RK Law on Permits and Notices". Article 11(2) of the RK Law on Financial Leasing was supplemented by new subparagraph (4) pursuant to which lessors are obliged to file information and reports with the designated financial monitoring agency in compliance with the RK AML/CFT Law. **Consumer cooperatives** According to Article 4(1) of the RK Law on Consumer Cooperative a consumer cooperative is a not-profit organization and may be engaged in commercial activity only insofar as it conforms to its charter purposes. On December 31, 2014, the list of suspicious transaction indicators was revised (the relevant amendments were introduced into RK Government Resolution No.1484). Now, this list includes transactions which engagement of non-profit organizations which (transactions) are related to charitable activities and (or) other donations Besides that, pursuant to Article 11(3-2) of the RK AML/CFT Law the Committee, jointly with other government stakeholders, adopted the Requirements for Internal Control Rules of the entities that are subject to financial monitoring, which includes the ML/FT Risk Management Program that that covers customer risks and risks related to misuse of services for criminal purposes, *inter alia*, risks related to technological developments (new technologies). According to this Program high risk is assigned to a customer that is a non-profit organization, which is also one of the suspicious transaction indicators. Besides that, the Committee conducts ongoing monitoring of operations of non-profit organizations, including consumer cooperatives.

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		Micro-credit organizations On December 16, 2012, RK Law No.56-V on Microfinance Organizations adopted on November 26, 2012 was put into effect, and the RK Law on Micro Credit Organizations dated March 6, 2003 ceased to be in force. Pursuant to the new Law operations of microfinance organizations are regulated by the RK National Bank, *inter alia*, by their registration, keeping the register of microfinance organizations, imposition of prudential regulations and monitoring their compliance with the RK legislation. Article 1(7) of the Law on Microfinance Organizations defines a microfinance organization as a legal commercial entity, the official status of which is determined by the government registration with the justice authorities and by "record registration", and which provides micro loans and performs other types of activities and operations permitted by this Law. As noted above, according to the RKA ML/CFT Law adopted in June 2014 microfinance organizations fall into the category of entities that are subject to financial monitoring. Besides that, new subparagraph 5-1 was added to Article 7(2) of the RK Law on Microfinance Organizations that obliges microfinance organizations to file information and reports with the designated financial monitoring agency in compliance with RK AML/CFT Law. **Pawnshops** As noted above, pawnshops fall into the category of entities that are subject to financial monitoring. Besides that, the AML/CFT Law of 2015 introduced amendments into Article 328 of the RK Civil Code according to which, prior to commencement of their operation, pawnshops are obliged to **notify the designated financial monitoring agency thereof** in a manner prescribed by the RK Law on Permits and Notices, and also comply with the requirements set forth in the RK AML/CFT legislation. **Insurance agents**

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		Pursuant to the Requirements for operation of insurance institutions, *inter alia*, pertaining to relationships among insurance market operators and authorization of insurance agents to provide intermediary services in the insurance market, adopted by Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions, upon **entering into an agreement with an insurance agent**, an insurance institution shall: - Record information on insurance agent in the electronic insurance agents register maintained by a designated employee of the insurance institution; - Arrange for AML/CFT training of insurance agent. Besides that, RK Finance Minister's Order No.523 of 26.11.2014 and RK National Bank Board Resolution No.238 of 24.12.2014 adopted the Requirements for AML/CFT Internal Control Rules of **insurance (reinsurance) institutions and insurance brokers**. These Requirements were registered in the RK National Register of Regulations on February 10, 2015 (Reg.No.10214). All requirements related to compliance by insurance institutions with the RK AML/CFT legislation apply to insurance agents. Article 18(2) of the RK Law on Insurance holds an insurance institution liable for the following actions of its insurance agent: - Entering into insurance agreements and taking actions by an insurant agent that are beyond the authorities and powers granted to such agent, - Entering into insurance agreements covering those types and categories of insurance services that insurance organization is not licensed to provide by the competent authority, - Deliberate misleading/ misinforming an insured party about terms and conditions of the insurance agreement, - Non-compliance with RK legal requirements pertaining to execution of an insurance agreement and on execution of documents needed for entering into such insurance agreement. Pursuant to RK Law No. 338-IV on Amendments and Modifications to Certain RK Laws Pertaining to Insurance dated July 15, 2010 Article 18 of RK Law No.126 on Insurance dated December 18, 2000 was supplemented by new clause 4 which came into effect on January 1, 2012. This new clause prohibits an insurance agent from accepting

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		cash from an insured party as payment of the premium when entering into insurance agreement on behalf or at the direction of an insurance institution. Article 18(5) of RK Law No.126 on Insurance dated December 18, 2000 **prohibits an insurance agent from withholding commission fee due to him under the agency agreement from the premiums received from the insured parties.** **E-money operators** As mentioned above, according to the RK AML/CFT Law of 2014 **non-bank e-money operators** fall into the category of entities that are subject to financial monitoring. Pursuant to Article 36-1(9) of the RK Law on Payments and Fund Transfers an issuer is obliged to provide the designated financial monitoring agency with information on operators which whom he entered into the relevant agreements in compliance with the RK AML/CFT Law. **Third-party payment processors** As noted above, according to the RK AML/CFT Law of 2015 third-party payment processors fall into the category of entities that are subject to financial monitoring. Pursuant to the Law of 2015 information on such entities is provided to the designated financial monitoring agency by the RK National Bank. Pursuant to RK Prime Minister's Instruction No.101-R of July 4 the following Requirements for AML/CFT Internal Control Rules were developed and adopted: - for the second-tier banks and the National Postal Service Operator – by RK Finance Minister's Order No.521 dated November 26, 2014 and RK National Bank Board Resolution No.235 dated December 24, 2014; - for insurance (reinsurance) institutions and insurance brokers – by RK Finance Minister's Order No.523 dated November 26, 2014 and RK National Bank Board Resolution No.238 dated December 24, 2014; - for professional securities market players and the central depository – by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014;

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		- for the stock exchange - by RK Finance Minister's Order No.519 dated November 26, 2014 and RK National Bank Board Resolution No.237 dated December 24, 2014; - for the unified pension savings fund and voluntary pension savings funds - by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for institutions engaged in certain types of banking operations and microfinance organizations - by RK Finance Minister's Order No.518 dated November 26, 2014 and RK National Bank Board Resolution No.236 dated December 24, 2014. Pursuant to the RK Government Instruction a number of regulations will be developed for implementing the AML/CFT Law of 2015. These regulations will include the Requirements for AML/CFT Internal Control Rules of individual and corporate dealers in precious metals, precious stones and articles made thereof, individual and corporate leasing entities operating in the capacity of unlicensed lessors, non-bank e-money operators, pawnshops, individual and corporate real estate agents, credit cooperatives and third-party payment processors.
	2. There is no requirement to appoint a special executive officer in charge of implementing AML/CFT policies and procedures in financial institutions (except for banks).	Pursuant to RK Prime Minister's Instruction No.101-R of July 4 the following Requirements for AML/CFT Internal Control Rules were developed and adopted: - for the second-tier banks and the National Postal Service Operator – by RK Finance Minister's Order No.521 dated November 26, 2014 and RK National Bank Board Resolution No.235 dated December 24, 2014; - for insurance (reinsurance) institutions and insurance brokers – by RK Finance Minister's Order No.523 dated November 26, 2014 and RK National Bank Board Resolution No.238 dated December 24, 2014; - for professional securities market players and the central depository – by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for the stock exchange - by RK Finance Minister's Order No.519 dated November 26, 2014 and RK National Bank Board Resolution No.237 dated December 24, 2014; - for the unified pension savings fund and voluntary pension savings funds - by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014;

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		- for institutions engaged in certain types of banking operations and microfinance organizations - by RK Finance Minister's Order No.518 dated November 26, 2014 and RK National Bank Board Resolution No.236 dated December 24, 2014. Under the internal AML/CFT framework and in compliance with the AML/CFT internal control arrangement program (as prescribed by the Requirements for Internal Control Rules of the financial sector) financial institutions shall appoint internal control rules compliance officers. Pursuant to the RK Government Instruction a number of regulations will be developed for implementing the AML/CFT Law of 2015. These regulations will include the Requirements for AML/CFT Internal Control Rules of individual and corporate dealers in precious metals, precious stones and articles made thereof, individual and corporate leasing entities operating in the capacity of unlicensed lessors, non-bank e-money operators, pawnshops, individual and corporate real estate agents, credit cooperatives and third-party payment processors.
	3. There are no requirements for financial institutions to educate and train their AML/CFT personnel.	The following Requirements for AML/CFT Internal Control Rules were developed and adopted: - for the second-tier banks and the National Postal Service Operator – by RK Finance Minister's Order No.521 dated November 26, 2014 and RK National Bank Board Resolution No.235 dated December 24, 2014; - for insurance (reinsurance) institutions and insurance brokers – by RK Finance Minister's Order No.523 dated November 26, 2014 and RK National Bank Board Resolution No.238 dated December 24, 2014; - for professional securities market players and the central depository – by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for the stock exchange - by RK Finance Minister's Order No.519 dated November 26, 2014 and RK National Bank Board Resolution No.237 dated December 24, 2014; - for the unified pension savings fund and voluntary pension savings funds - by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014;

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		- for institutions engaged in certain types of banking operations and microfinance organizations - by RK Finance Minister's Order No.518 dated November 26, 2014 and RK National Bank Board Resolution No.236 dated December 24, 2014. As prescribed by the Requirements for Internal Control Rules of the financial sector, the AML/CFT training program shall contain the personnel training procedure that includes training topics, methods and timelines; department/ unit responsible for delivery of training; list of the stock exchange departments which personnel shall undergo training; procedure and methods of retention of training outcome-related documents; and procedure and methods of assessing AML/CFT knowledge of the stock exchange personnel. Besides that, pursuant to Article 11(8) of the AML/CFT Law the personnel training and education requirements for entities that are subject to financial monitoring are adopted by the designated government agency in coordination with the relevant government authorities. For implementing the provisions of paragraph 8 of the aforementioned Article RK Finance Minister's Order No.533 of November 28, 2014 on Adoption of Personnel Training and Education Requirements for Entities that are Subject to Financial Monitoring was signed and enacted. This Order was registered in the RK National Register of Regulations on December 25, 2014 (Reg.No.10001). According to the said Requirements training and education is provided to ensure that personnel receive adequate AML/CFT knowledge needed for complying with the RK AML/CFT legislation. Topics, content and timelines of AML/CFT training are determined by each entity that is subject to financial monitoring in coordination with the Committee. Pursuant to the aforementioned Requirements the director (CEO) of an entity that is subject to financial monitoring approves the list of employees that shall necessarily undergo AML/CFT training and education.

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		Training of personnel of entities that are subject to financial monitoring is conducted as orientation training, basic training and professional development training. Orientation training involves briefing and familiarization with the AML/CFT-related laws, regulations and internal documents of entities that are subject to financial monitoring. Orientation training is provided to newly hired personnel and also to redeployed employees whose new functions require compliance with the AML/CFT legislation. Basic training is provided to ensure that personnel receive adequate knowledge needed for complying with the AML/CFT legislation as well as for improving and maintaining effectiveness of internal control systems, internal controls implementation programs and other internal documents of entities that are subject to financial monitoring at level sufficient for managing ML/FT risks. Employees of entities that are subject to financial monitoring undergo one-time basic training before they start to discharge functions related to compliance with the AML/CFT legislation. Professional development training involves refreshment and systematization of AML/CFT knowledge, studying the FATF international standards and familiarization with the current national and international AML/CFT methods. Furthermore, the Committee signed the Cooperation Agreement with the Financial Academy for implementing the said Requirements. Pursuant to this Agreement the parties will jointly hold professional development training events, conduct scientific and applied researches, draft new laws and develop methodological guides for entities that are subject to financial monitoring.
	4. There are no screening procedures when hiring employees.	Pursuant to the AML/CFT Law the RK Ministry of Finance and the RK National Bank jointly developed and adopted the following Requirements for AML/CFT Internal Control Rules: - for the second-tier banks and the National Postal Service Operator – by RK Finance Minister's Order No.521 dated November 26, 2014 and RK National Bank Board Resolution No.235 dated December 24, 2014; - for insurance (reinsurance) institutions and insurance brokers – by RK Finance Minister's Order No.523 dated November 26, 2014 and RK National Bank Board Resolution No.238 dated December 24, 2014;

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		- for professional securities market players and the central depository – by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for the stock exchange - by RK Finance Minister's Order No.519 dated November 26, 2014 and RK National Bank Board Resolution No.237 dated December 24, 2014; - for the unified pension savings fund and voluntary pension savings funds - by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for institutions engaged in certain types of banking operations and microfinance organizations - by RK Finance Minister's Order No.518 dated November 26, 2014 and RK National Bank Board Resolution No.236 dated December 24, 2014. According to these Requirements the following qualification standards are established for AML/CFT compliance officers: - Higher (university) education; - At least one-year experience as a manager of a bank department (unit) involved in carrying out banking and (or) other transactions, at least one-year AML/CFT experience, or at least three-year experience in provision and (or) regulation of financial services; - Unblemished business reputation as required by the industry legislation.
	5. No requirement to communicate the internal control rules to financial institution employees is established.	As noted above, pursuant to the AML/CFT Law the RK Ministry of Finance and the RK National Bank jointly developed and adopted the following Requirements for AML/CFT Internal Control Rules: - for the second-tier banks and the National Postal Service Operator – by RK Finance Minister's Order No.521 dated November 26, 2014 and RK National Bank Board Resolution No.235 dated December 24, 2014; - for insurance (reinsurance) institutions and insurance brokers – by RK Finance Minister's Order No.523 dated November 26, 2014 and RK National Bank Board Resolution No.238 dated December 24, 2014; - for professional securities market players and the central depository – by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014;

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		- for the stock exchange - by RK Finance Minister's Order No.519 dated November 26, 2014 and RK National Bank Board Resolution No.237 dated December 24, 2014; - for the unified pension savings fund and voluntary pension savings funds - by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for institutions engaged in certain types of banking operations and microfinance organizations - by RK Finance Minister's Order No.518 dated November 26, 2014 and RK National Bank Board Resolution No.236 dated December 24, 2014. The Requirements for AML/CFT Internal Control Rules adopted for the financial sector oblige the covered institutions to have the internal control rules and (or) amendments (modifications) thereto developed and approved by the executive body of an institution, and also to monitor **compliance with these rules by institution's personnel**. Besides that, the Requirements for Internal Control Rules of financial institutions oblige the covered institutions to have the AML/CFT internal control arrangement program that shall include, among other things, description of functions and powers of designated AML/CFT compliance officer and **procedure of interaction between such compliance officer and personnel in course of implementing AML/CFT internal controls**.
	6. It is impossible to assess effectiveness of application of requirements for establishing internal control in financial institutions since these requirements have been put in effect just recently.	*In the reporting period, being conducted were 669 audits/inspections of financial institutions which resulted in imposition of fines totaling 37,209 thousand tenge which is the equivalent of over USD 200,000.* *The audit/inspection statistics broken down by financial institutions is presented in Table 6.*
16. DNFBP – R.13-15 & 21	1. Requirements of the RK AML/CFT legislation do not apply to dealers in precious metals and precious stones, trusts (trust management of property), organizations establishing and	According to Article 3 of the RK AML/CFT Law adopted in August 2009 the following entities fall into the category of entities that are subject to financial monitoring: banks; institutions engaged in certain types of banking operations; stock and commodity exchanges; insurance (reinsurance) institutions; insurance brokers; unified pension savings fund and voluntary pension savings funds; professional securities market players; central depository; notaries; lawyers; other independent legal professionals; audit firms; gambling and lottery operators; and postal service operators rendering remittance services.

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	servicing legal entities, and real estate agents.	According to RK AML/CFT Law No.191-IV, as amended by the RK AML/CFT Law of 2014, the entities that are subject to financial monitoring now also include **microfinance organizations; non-bank e-money operators;** accounting organizations; and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"). The RK AML/CFT Law of 2015 introduced further amendments to Article 3 of the RK AML/CFT Law according to which the following entities also fall in the category of entities that are subject to financial monitoring: - Individual and corporate leasing entities operating in the capacity of unlicensed lessors, - Pawnshops; - Individual and corporate dealers in precious metals, precious stones and articles made thereof; - Individual and corporate real estate agents; - Third-party payment processors. For the purpose of implementation of the RK AML/CFT Law of 2015 the Prime Minister's Decree requires to develop the Requirements for the AML/CFT Internal Control Rules of new entities that are subject to financial monitoring (included in this category in 2015). The RK AML/CFT Law of 2015 amended Annex 3 (Permits and Notices) to the RK Law on Permits and Notices by adding a new notice: **"Notice on commencement and termination of operation of an entity that is subject to financial monitoring in compliance with the RK AML/CFT Law".** Besides that, the RK AML/CFT Law of 2015 extended the powers vested in the designated financial monitoring agency. New subparagraphs 13(1) and 13(2) were added to Article 16 of the AML/CFT Law, according to which the designated agency registers and receives notices from the entities that are subject to financial monitoring listed in Article 3(1)(7)(12-16) of the AML/CFT Law in compliance with the RK Law on Permits and Notices.

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		Pursuant to the RK Government Instruction a number of regulations will be developed for implementing the AML/CFT Law of 2015. These regulations will include the Requirements for AML/CFT Internal Control Rules of individual and corporate dealers in precious metals, precious stones and articles made thereof, individual and corporate leasing entities operating in the capacity of unlicensed lessors, non-bank e-money operators, pawnshops, individual and corporate real estate agents, credit cooperatives and third-party payment processors.
	2. There is no direct requirement for filing STRs in case of suspected ML (R.13).	A suspicious transaction with funds and (or) other property (assets) was defined in the AML/CFT Law as a transaction that meets the criteria set forth in the Law that give grounds to believe that it will result in integration of proceeds obtained through crime into legal circulation, or it is conducted for the purpose of financing terrorism and (or) extremism. Following adoption of the RK AML/CFT Law of 2014, the suspicious transaction definition was revised to read as follows: a suspicious transaction is a customer's transaction (**including attempted transaction**, transaction which is underway, or completed transaction) **that raises suspicion that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity** or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. The 2009 AML/CFT Law provision stipulating that suspicious transactions that may be or have been performed shall be subject to financial monitoring irrespective of their form or amount remained unchanged in the 2014 AML/CFT Law. Besides that, according to RK Government Resolution No.1484 when an entity that is subject to financial monitoring suspects that that funds and (or) other property (assets) used for a transaction **are proceeds of criminal activity or transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other**

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		criminal activities, it shall report such transaction to the Committee within the established time period. According to Article 10(2) of the AML/CFT Law, which was amended in 2014, entities that are subject to financial monitoring are obliged to **document (record in writing) information and details of suspicious transactions** and provide such information to the designated agency immediately prior to performance of a transaction, or not later than in three hours after its performance, or within twenty four hours after its detection, if a transaction cannot be suspended. According to RK Constitutional Council Regulatory Resolution No.5 pertaining to conformance of the adopted AML/CFT legislation to the RK Constitution the procedure of providing information and details of transactions that are subject to financial monitoring shall be established in the AML/CFT Law. The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism and Encashment (hereinafter the RK Law No.19-V) was adopted in **June 2012**. RK Law No.19-V amended the AML/CFT Law. In particular, the following new criteria were added to the list of suspicious transaction criteria: - A transaction which is reasonably believed to be carried out for converting criminal proceeds into cash; - Transactions, in which a recipient of funds or goods (work, services, protected information, exclusive intellectual property rights, leased property) is a non-resident who is not party to an agreement/contract involving import (export) of goods (work, services, protected information, exclusive intellectual property rights, leased property); - Transactions one of the parties to which are natural persons and (or) legal entities included in the list of entities and individuals linked to financing of terrorism and extremism.

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		For implementing the Resolution of the Constitutional Council the relevant amendments were introduced into Article 10 of the AML/CFT Law, according to which the requirements for reporting transactions that are subject to financial monitoring as well as the timelines and manner in which such information shall be provided are directly specified in the AML/CFT Law. In order to prevent and disrupt ML/FT activities, Article 13(2) of the RK AML/CFT Law of 2014 provides that, upon detection of a suspicious transaction, entities that are subject to financial monitoring are obliged to report such transaction to the designated government agency **before it is carried out**. Reports on suspicious transactions that cannot be suspended shall be filed by entities that are subject to financial monitoring with the Committee not later than in three hours after their performance, or within twenty four hours following detection of such transactions. Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the Committee not later than the next business day following the day when such transactions was identified as suspicious. The AML/CFT legislation also obliges entities that are subject to financial monitoring to inform the Committee about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other property (assets) on the grounds set forth in Article 13(1) of the AML/CFT Law, and also about freezing/suspension of transactions in the situations specified in Article 13(1-1) of the AML/CFT Law not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure). According to the amendments and modifications introduced into RK Government Resolution No.1484 in 2014 the suspicious transaction indicators are broken down by

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		general characteristics and types of activities of entities that are subject to financial monitoring.
	3. The deficiencies related to criminalization of ML may affect the STR submission regime (R.13).	Article 1(4) of the AML/CFT Law of 2009 defined legalization (laundering) of illegally obtained proceeds as integration of illegally obtained funds and (or) other property (assets) into legal circulation through transactions as well as use of such funds and (or) property (assets). Following adoption of Law No.206-V, this definition was revised to read as follows: legalization (laundering) of proceeds obtained through **crime** - integration of funds and (or) other property (assets) obtained through **crime** into legal circulation through transactions as well as use of such funds and (or) property (assets). According to the RK AML/CFT Law of 2015 the definition of legalization (laundering) of proceeds obtained through crime set forth in Article 1(11) of the AML/CFT Law is revised to read as follows: "Legalization (laundering) of proceeds obtained through crime - integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal offences, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime". According to the amendments and modifications introduced into RK Government Resolution No.1484 in 2014 the suspicious transaction indicators are broken down by general characteristics and types of activities of entities that are subject to financial monitoring. The general indicators are identified with due consideration for the national Risk Assessment, enforcement practice and practical experience of entities that are subject to financial monitoring. For example, the general suspicious transaction indicators include "transactions identified as suspicious ones by executive officers of an entity subject to financial monitoring based on their skills and experience".

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	4. There is no requirement for filing STRs in case of attempted ML-related transactions (R.13).	Following adoption of RK Law No.206-V in June 2014, the suspicious transaction definition was revised to read as follows: a suspicious transaction is a customer's transaction (**including attempted transaction**, transaction which is underway, or completed transaction) **that raises suspicion that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity** or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. RK Government Resolution No.1484 requires entities that are subject to financial monitoring to report **attempted customers' suspicious transactions,** if entities subject to financial monitoring suspect that funds and (or) other property (assets) used for the transaction are proceeds of criminal activity or the transaction itself is aimed at the legalization (laundering) of proceeds of crime or at financing of terrorism or other criminal activities. According to Article 10(2) of the AML/CFT Law, which was amended in 2014, entities that are subject to financial monitoring are obliged to **document (record in writing) information and details of suspicious transactions** and provide such information to the designated agency immediately prior to performance of a transaction, or not later than in three hours after its performance, or within twenty four hours after its detection, if a transaction cannot be suspended. In order to prevent and disrupt ML/FT activities, Article 13(2) of the RK AML/CFT Law of 2014 provides that, upon identification of a suspicious transaction, entities that are subject to financial monitoring are obliged to promptly report such transaction to the designated agency **before it is carried out**. Reports on suspicious transactions that cannot be suspended shall be filed by entities that are subject to financial monitoring with the Committee not later than in three hours after their performance, or within twenty four hours following identification of such transactions.

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		Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the Committee not later than the next business day following the day when such transactions was identified as suspicious.
	5. Effectiveness of application of the requirements for implementation of R.13 is low (R.13).	In the reporting period, a total of 1,247,181 suspicious transaction reports were received from entities that are subject to financial monitoring. The number of SRTs received in 2014 increased in over six times compared to 2012, and in 35 times compared to 2013. Statistics regarding the number of received SRTs broken down by entities that are subject to financial monitoring is presented in Table 2, while statistics on total number of received STRs is presented in Table 1.
	6. There is no requirement for directors of financial institutions, executive officers and employees not to tip-off their clients or other persons about filing data related to them with the designated authority (R.14).	RK Law No.2006-V amended Article 11(5) of RK Law No.191-V. The revised Article **prohibits** entities that are subject to financial monitoring and their employees **from tipping-off** customers about filing data and information on such customers and on transactions carried out by them with the designated government authority. For implementing the requirements set forth in Article 11(3-2) of the AML/CFT Law the following regulations were adopted:

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		1. Joint RK Finance Minister's Order No.531 of November 28, 2014 and Justice Minister's Order No.360 of December 11, 2014 adopted the Internal Control Rules Requirements for notaries; 2. RK Finance Minister's Order No.526 of November 27, 2014 adopted the Internal Control Rules Requirements for audit firms; 3. RK Finance Minister's Order No.477 of November 5, 2014 adopted the Internal Control Rules Requirements for accounting organizations and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"); 4. Joint RK Finance Minister's Order No.532 of November 28, 2014 and acting National Economy Minister's Order No.119 of November 28, 2014 adopted the Internal Control Rules Requirements for commodity exchange; 5. Joint RK Finance Minister's Order No.499 of November 19, 2014 and Investment and Development Minister's Order No.182 of November 25, 2014 adopted the Internal Control Rules Requirements for postal service operators that render remittance services; 6. Joint RK Finance Minister's Order No.527 of November 27, 2014 and Culture and Sports Minister's Order No.112 of November 26, 2014 adopted the Internal Control Rules Requirements for gambling and lottery operators. Pursuant to these Requirements for Internal Control Rules **the designated compliance officer shall keep confidentiality of information obtained by him/her in course of discharging his/her functions.**
	7. The STR-related statistics from DNFBPs (except notaries) is missing (R.14).	In the reporting period, 44,989 STRs were received from notaries, audit firms and casinos. Statistics broken down by entities that are subject to financial monitoring and by years is presented in Table 2.
	8. There is no requirement for appointment of a special executive officer responsible for	For implementing the requirements set forth in Article 11(3-2) of the AML/CFT Law the following regulations were adopted:

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	implementation of policies and regulations in the area of AML / CFT within DNFBPs (R.15).	1. Joint RK Finance Minister's Order No.531 of November 28, 2014 and Justice Minister's Order No.360 of December 11, 2014 adopted the Internal Control Rules Requirements for notaries; 2. RK Finance Minister's Order No.526 of November 27, 2014 adopted the Internal Control Rules Requirements for audit firms; 3. RK Finance Minister's Order No.477 of November 5, 2014 adopted the Internal Control Rules Requirements for accounting organizations and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"); 4. Joint RK Finance Minister's Order No.532 of November 28, 2014 and acting National Economy Minister's Order No.119 of November 28, 2014 adopted the Internal Control Rules Requirements for commodity exchange; 5. Joint RK Finance Minister's Order No.499 of November 19, 2014 and Investment and Development Minister's Order No.182 of November 25, 2014 adopted the Internal Control Rules Requirements for postal service operators that render remittance services; 6. Joint RK Finance Minister's Order No.527 of November 27, 2014 and Culture and Sports Minister's Order No.112 of November 26, 2014 adopted the Internal Control Rules Requirements for gambling and lottery operators. Pursuant to these Requirements for Internal Control Rules **the designated compliance officer shall keep confidentiality of information obtained by him/her in course of discharging his/her functions.**
	9. The requirements for DNFBPs concerning qualification and training of personnel involved in AML / CFT are not established (R.15).	As noted above, The Committee adopted, jointly with the relevant government authorities, the Requirements for Internal Control Rules of each type of entities that are subject to financial monitoring. These Requirements include, among other things, the AML/CFT education and training program for personnel. Pursuant to Article 11(8) of the AML/CFT Law the personnel training and education requirements for entities that are subject to financial monitoring are adopted by the designated government agency in coordination with the relevant government authorities.

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		For implementing the provisions of paragraph 8 of the aforementioned Article RK Finance Minister's Order No.533 of November 28, 2014 on Adoption of Personnel Training and Education Requirements for Entities that are Subject to Financial Monitoring was signed and enacted. This Order was registered in the RK National Register of Regulations on December 25, 2014 (Reg.No.10001). According to the said Requirements training and education is provided to ensure that personnel receive adequate AML/CFT knowledge needed for complying with the RK AML/CFT legislation. Topics, content and timelines of AML/CFT training are determined by each entity that is subject to financial monitoring in coordination with the Committee. Pursuant to the aforementioned Requirements the director (CEO) of an entity that is subject to financial monitoring approves the list of employees that shall necessarily undergo AML/CFT training and education. Training of personnel of entities that are subject to financial monitoring is conducted as orientation training, basic training and professional development training. Orientation training involves briefing and familiarization with the AML/CFT-related laws, regulations and internal documents of entities that are subject to financial monitoring. Orientation training is provided to newly hired personnel and also to redeployed employees whose new functions require compliance with the AML/CFT legislation. Basic training is provided to ensure that personnel receive adequate knowledge needed for complying with the AML/CFT legislation as well as for improving and maintaining effectiveness of internal control systems, internal controls implementation programs and other internal documents of entities that are subject to financial monitoring at level sufficient for managing ML/FT risks. Employees of entities that are subject to financial monitoring undergo one-time basic training before they start to discharge functions related to compliance with the AML/CFT legislation. Professional development training involves refreshment and systematization of AML/CFT knowledge, studying the FATF international standards and familiarization with the current national and international AML/CFT methods.

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	10. There is not procedure for screening all DNFBP staff at the time of their hire (R.15).	Law 206-V introduced new paragraph 3-2 into Article 11 of the AML/CFT Law according to which the Requirements for Internal Control Rules of each type of entities that are subject to financial monitoring shall be developed and adopted by the joint regulations of the Committee and the relevant government authorities. In this context, the joint Orders of the RK Finance Minister and the relevant government authorities (Ministry of Culture and Sports, Ministry of Investment and Development, Ministry of Justice and Ministry of National Economy) adopted the Requirements for AML/CFT Internal Control Rules of the non-financial sector. These Requirements were registered in the RK National Register of Regulations. According to these Requirements individuals who have no higher (university) education and/or who have a non-discharged record of conviction for committing economic crimes or intentional moderately serious, serious or exceptionally serious criminal offences are prohibited from holding the executive officer positions. **Notaries that provide notarial services related to transaction with funds and (or) other assets** According to Article 6(1) of the RK Law on Notaries Kazakh citizens aged 25 and over who have higher (university) legal education, at least two-year work experience in legal profession, have undertaken at least one-year notary internship, are certified by the justice qualification commission and have obtained the license to provide notarial services are qualified to operate in the capacity of notary, unless otherwise is provided by the Law. Individuals who have a non-discharged record of conviction or have been recognized, in established manner, as fully or partially incapacitated are prohibited from operating as notaries. Prohibition to operate in the capacity of notary also applies to individuals whose criminal prosecution was terminated for reasons other than dismissal of charges. Besides that, individuals whose license has been revoked or who have been dismissed from the notary public office for breaching the RK legislation in course of provision of notarial services are also prohibited form operating in the capacity of notary for five years after occurrence of such event. **Lawyers and other independent legal professionals**

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		According to Article 7 of the RK Law on Lawyers Kazakh citizens who have higher (university) legal education, are licensed to provide legal services, are the members of the bar association, and provide professional legal aid as the legal practitioners are qualified to operate in the capacity of lawyer. Individuals who have a non-discharged record of conviction or have been recognized, in established manner, as fully or partially incapacitated are prohibited from operating as lawyers. Besides that, it is prohibited to operate in the capacity of lawyers for: - Individuals criminal charges against whom (for committing deliberate criminal offences) were dismissed under Article 35, Par.1(3)(4)(9)(10 and (12) or Article 36 of the RK Criminal Procedure Code; - Individuals who have been dismissed with disgrace from public office, military service, prosecutorial or other law enforcement agencies, special government authorities, courts and justice authorities or from the bar association; - Individuals whose licenses to practice law have been revoked; - Individuals whose licenses have been terminated on the grounds specified in Article 12, Par.3 and Par.5(3), (4) and (5) of the Law on Lawyers, for three years after occurrence of such event. **Commodity exchanges** According to the Qualification Requirements for Commodity Exchange Operators, Exchange Brokers and Dealers and List of Qualification Verification Documents (adopted by RK Government Resolution on Certain Issues Pertaining to Operation of Commodity Exchanges and Exchange Brokers and Dealers) commodity exchange managers shall have higher (university) education and at least three-year work experience in commodity exchange and (or) financial institutions. **Accounting organizations, independent accounting professionals and audit firms** According to the Qualification Requirements for Professional Accountants (adopted by RK Finance Minister's Order No.455 of December 13, 2007) **individuals who have higher (university) education and work experience, for at least five last years, as economic and financial accountant and analyst, accountant, economist, financier, auditor or as accounting and audit researcher and teacher in university or specialized**

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		secondary educational institution (which shall be certified by notarized copy of employment record card and/or labor contract) are qualified to pass fit and proper test arranged by the accredited professional accountant certification body for obtaining a professional accountant certificate. Nominees to the position of professional accountant are obliged to prove their knowledge (that they are fit and proper) by passing the exam arranged by the accredited professional accountant certification body. Individuals who have the auditor certificate issued by auditor certification commission are exempt from the exam. According to clause 3 of the Regulation of Auditor Attestation (Fit and Proper Test) (adopted by RK Finance Minister's Order No.233 of July 26, 2006; registered in the RK Ministry of Justice on August 23, 2006, Reg.No.4354) **individuals who have higher (university) education and at least three-year work experience as economist, financier, auditor, lawyer or as accounting and audit researcher and teacher in university** are qualified to pass fit and proper test. One of the requirements set forth in the Qualification Requirements for Auditors and List of Qualification Verification Documents (adopted by RK Government Resolution on Certain Issues Pertaining to Licensing of Auditor Licensing) stipulates that license shall not be granted if it is known that the director of an audit firm was earlier the head other audit firm which license was revoked under the RL law. This requirement remains in force for one year after a court ruling on revocation of a license comes into effect which is verified with the use of the register of audit firms and the database of the designated government agency for legal statistics and special records. **Gambling operators** The RK Law on Amendments and Modification to Certain RK Laws Pertaining to Gambling Operation adopted in April 2015 introduced new paragraphs 16 and 17 into Article 12 of the RK Law on Gambling of January 12, 2007. These new paragraphs prohibit the following legal entities from operating in the capacity of gambling operator (directly and (or) indirectly own, use, dispose and (or) manage shares (interest in the authorized capital) of a legal entity):

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		- Legal entity which founder or member is an individual who has a non-discharged record of conviction for committing economic crimes or intentional moderately serious, serious or exceptionally serious criminal offences; - Legal entity which founder or member is an individual who is also the founder or member of other legal entity that has tax debts or has been recognized as bankrupt. Founder or member of a legal entity who has a non-discharged record of conviction for committing economic crimes or intentional moderately serious, serious or exceptionally serious criminal offences is prohibited from holding executive officer position in a gambling venue.
	11. There is no requirement for bringing the ICR to the attention of the DNFBP staff (R.15).	For implementing the requirements set forth in Article 11(3-2) of the AML/CFT Law the following regulations were developed and adopted: 1. Joint RK Finance Minister's Order No.531 of November 28, 2014 and Justice Minister's Order No.360 of December 11, 2014 adopted the Internal Control Rules Requirements for notaries; 2. RK Finance Minister's Order No.526 of November 27, 2014 adopted the Internal Control Rules Requirements for audit firms; 3. RK Finance Minister's Order No.477 of November 5, 2014 adopted the Internal Control Rules Requirements for accounting organizations and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"); 4. Joint RK Finance Minister's Order No.532 of November 28, 2014 and acting National Economy Minister's Order No.119 of November 28, 2014 adopted the Internal Control Rules Requirements for commodity exchange; 5. Joint RK Finance Minister's Order No.499 of November 19, 2014 and Investment and Development Minister's Order No.182 of November 25, 2014 adopted the Internal Control Rules Requirements for postal service operators that render remittance services; 6. Joint RK Finance Minister's Order No.527 of November 27, 2014 and Culture and Sports Minister's Order No.112 of November 26, 2014 adopted the Internal Control Rules Requirements for gambling and lottery operators.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		The aforementioned Requirements for Internal Control Rules adopted for the non-financial sector oblige the covered entities that are subject to financial monitoring to develop the AML/CFT internal control arrangement program that shall include description of functions of designated AML/CFT compliance officer or department (unit) and **procedure of** interaction with other structural departments (units) in course of implementing AML/CFT internal controls.
	12. The concept of "uncooperative countries" is not defined, and there is no requirement to pay special attention to transactions with persons from such countries (R.15).	According to Article 4(4) of the AML/CFT Law the **grounds for mandatory examination** by entities that are subject to financial monitoring, of customer transactions and recording the results of such examination in accordance with Article 5 hereof are as follows: … **Transaction with funds and (or) other property (assets) the party to which is a person registered (residing) in a country (territory) that does not comply with the Recommendations of the Financial Action Task Force (FATF) as well as with the use of account opened with a bank registered in such country (territory).** The list of countries (territories) that do not or insufficiently comply with the Recommendations of the Financial Action Task Force (FATF) is compiled by the designated government agency with due consideration for documents issued by the FATF and is disseminated to the relevant government authorities which communicate it to entities that subject to financial monitoring, except for non-bank E-money operators which are directly notified by the Committee. Pursuant to Article 11(3-2) of the AML/CFT Law the Requirements for Internal Control Rules of the different types of the covered entities that are subject to financial monitoring are established in the joint regulations issued by the designated government agency and the relevant government authorities. The Requirements for Internal Control Rules developed for the non-financial sector provide that pursuant to the ML/FT risk management program high risk shall be assigned to business relationships and transactions with individuals and legal entities **from countries (territories) that do not and (or) insufficiently comply with the FATF Recommendations, that have high level of corruption or other crime, that are subject to sanctions, embargo and similar measures imposed by the UN, that finance or**

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		support terrorist (extremist) activities, and in which the designated terrorist (extremist) organizations operate. **The Requirements for Internal Control Rules developed for the non-financial sector** oblige **entities that are subject to financial monitoring** to assess country (geographic) risk related to carrying out business operations in foreign countries listed herein, to providing services (products) to customers from such foreign countries and to conducting transactions with funds and (or) other property (assets) with involvement of such countries. Pursuant to the ML/CF risk management program high level of risk shall be assigned to business relationships and transactions with individuals and legal entities from countries (territories): - that do not and (or) insufficiently comply with the FATF Recommendations; - that have high level of corruption or other crime; - that are subject to sanctions, embargo and similar measures imposed by the UN; - that finance or support terrorist (extremist) activities, and in which the designated terrorist (extremist) organizations operate.
17. Sanctions	1. Entities not included in the ESFM list are not subject to sanctions (entities executing capital leasing transactions; consumer cooperatives that provide loans to its members; micro-credit institutions; pawnshops; insurance agents; persons carrying out transactions involving electronic money; persons accepting payments from the public).	According to Article 3 of the RK AML/CFT Law adopted in August 2009 the following entities fall into the category of entities that are subject to financial monitoring: banks; institutions engaged in certain types of banking operations; stock and commodity exchanges; insurance (reinsurance) institutions; insurance brokers; unified pension savings fund and voluntary pension savings funds; professional securities market players; central depository; notaries; lawyers; other independent legal professionals; audit firms; gambling and lottery operators; and postal service operators rendering remittance services. According to the RK AML/CFT Law, as amended by the RK AML/CFT Law of 2014, the entities that are subject to financial monitoring now also include **microfinance organizations; non-bank e-money operators;** accounting organizations; and independent accounting professionals (“professional accountants engaged in entrepreneurial activities”). According to the RK AML/CFT Law of 2015 the following entities also fall in the category of entities that are subject to financial monitoring:

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		- Individual and corporate leasing entities operating in the capacity of unlicensed lessors, - Pawnshops; - Individual and corporate dealers in precious metals, precious stones and articles made thereof; - Individual and corporate real estate agents; - Third-party payment processors. For the purpose of implementation of the RK AML/CFT Law of 2015 the Prime Minister's Decree requires to develop the Requirements for the AML/CFT Internal Control Rules of new entities that are subject to financial monitoring (included in this category in 2015). The RK AML/CFT Law of 2015 amended Annex 3 (Permits and Notices) to the RK Law on Permits and Notices by adding a new notice: **"Notice on commencement and termination of operation of an entity that is subject to financial monitoring in compliance with the RK AML/CFT Law".** Besides that, the RK AML/CFT Law of 2015 extended the powers vested in the designated financial monitoring agency. New subparagraphs 13(1) and 13(2) were added to Article 16 of the AML/CFT Law, according to which the designated agency registers and receives notices from the entities that are subject to financial monitoring listed in Article 3(1)(7)(12-16) of the AML/CFT Law in compliance with the RK Law on Permits and Notices. **Financial leasing entities** As mentioned above, pursuant to the AML/CFT Law of 2015 individual and corporate leasing entities operating in the capacity of unlicensed lessors fall into the category of entities that are subject to financial monitoring. On the other hand, since 2009, leasing entities operating in the capacity of licensed lessors fall into the category of entities that are subject to financial monitoring as institutions engaged in certain types of banking operations.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		The RK AML/CFT Law of 2015 introduced a new clause (2) into Article 10 of the RK Law on Financial Leasing which reads as follows: "Other corporate and individual leasing entities operating in the capacity of unlicensed lessors shall commence their operations after filing the relevant notice in a manner prescribed by the RK Law on Permits and Notices". Article 11(2) of the RK Law on Financial Leasing was supplemented by new subparagraph (4) pursuant to which lessors are obliged to file information and reports with the designated financial monitoring agency in compliance with the RK AML/CFT Law. **Consumer cooperatives** According to Article 4(1) of the RK Law on Consumer Cooperative a consumer cooperative is a not-profit organization and may be engaged in commercial activity only insofar as it conforms to its charter purposes. On December 31, 2014, the list of suspicious transaction indicators was revised (the relevant amendments were introduced into RK Government Resolution No.1484). Now, this list includes transactions which engagement of non-profit organizations which (transactions) are related to charitable activities and (or) other donations. Besides that, pursuant to Article 11(3-2) of the RK AML/CFT Law the Committee, jointly with other government stakeholders, adopted the Requirements for Internal Control Rules of the entities that are subject to financial monitoring, which includes the ML/FT Risk Management Program that that covers customer risks and risks related to misuse of services for criminal purposes, *inter alia*, risks related to technological developments (new technologies). According to this Program high risk is assigned to a customer that is a non-profit organization, which is also one of the suspicious transaction indicators. Besides that, the Committee conducts ongoing monitoring of operations of non-profit organizations, including consumer cooperatives. **Micro-credit organizations**

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		On December 16, 2012, RK Law No.56-V on Microfinance Organizations adopted on November 26, 2012 was put into effect, and the RK Law on Micro Credit Organizations dated March 6, 2003 ceased to be in force. Pursuant to the new Law operations of microfinance organizations are regulated by the RK National Bank, *inter alia*, by their registration, keeping the register of microfinance organizations, imposition of prudential regulations and monitoring their compliance with the RK legislation. Article 1(7) of the Law on Microfinance Organizations defines a microfinance organization as a legal commercial entity, the official status of which is determined by the government registration with the justice authorities and by "record registration", and which provides micro loans and performs other types of activities and operations permitted by this Law. As noted above, according to the RKA ML/CFT Law adopted in June 2014 microfinance organizations fall into the category of entities that are subject to financial monitoring. Besides that, new subparagraph 5-1 was added to Article 7(2) of the RK Law on Microfinance Organizations that obliges microfinance organizations to file information and reports with the designated financial monitoring agency in compliance with RK AML/CFT Law. **Pawnshops** As noted above, pawnshops fall into the category of entities that are subject to financial monitoring. Besides that, the AML/CFT Law of 2015 introduced amendments into Article 328 of the RK Civil Code according to which, prior to commencement of their operation, pawnshops are obliged to **notify the designated financial monitoring agency thereof** in a manner prescribed by the RK Law on Permits and Notices, and also comply with the requirements set forth in the RK AML/CFT legislation. **Insurance agents**

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		Pursuant to the Requirements for operation of insurance institutions, *inter alia*, pertaining to relationships among insurance market operators and authorization of insurance agents to provide intermediary services in the insurance market, adopted by Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions, upon **entering into an agreement with an insurance agent**, an insurance institution shall: - Record information on insurance agent in the electronic insurance agents register maintained by a designated employee of the insurance institution; - Arrange for AML/CFT training of insurance agent. Besides that, RK Finance Minister's Order No.523 of 26.11.2014 and RK National Bank Board Resolution No.238 of 24.12.2014 adopted the Requirements for AML/CFT Internal Control Rules of **insurance (reinsurance) institutions and insurance brokers**. These Requirements were registered in the RK National Register of Regulations on February 10, 2015 (Reg.No.10214). All requirements related to compliance by insurance institutions with the RK AML/CFT legislation apply to insurance agents. Article 18(2) of the RK Law on Insurance holds an insurance institution liable for the following actions of its insurance agent: - Entering into insurance agreements and taking actions by an insurant agent that are beyond the authorities and powers granted to such agent, - Entering into insurance agreements covering those types and categories of insurance services that insurance organization is not licensed to provide by the competent authority, - Deliberate misleading/ misinforming an insured party about terms and conditions of the insurance agreement, - Non-compliance with RK legal requirements pertaining to execution of an insurance agreement and on execution of documents needed for entering into such insurance agreement. Pursuant to RK Law No. 338-IV on Amendments and Modifications to Certain RK Laws Pertaining to Insurance dated July 15, 2010 Article 18 of RK Law No.126 on Insurance dated December 18, 2000 was supplemented by new clause 4 which came into effect on January 1, 2012. This new clause prohibits an insurance agent from accepting

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		cash from an insured party as payment of the premium when entering into insurance agreement on behalf or at the direction of an insurance institution. Article 18(5) of RK Law No.126 on Insurance dated December 18, 2000 **prohibits an insurance agent from withholding commission fee due to him under the agency agreement from the premiums received from the insured parties.** **E-money operators** As mentioned above, according to the RK AML/CFT Law of 2014 **non-bank e-money operators** fall into the category of entities that are subject to financial monitoring. Pursuant to Article 36-1(9) of the RK Law on Payments and Fund Transfers an issuer is obliged to provide the designated financial monitoring agency with information on operators which whom he entered into the relevant agreements in compliance with the RK AML/CFT Law. **Third-party payment processors** As noted above, according to the RK AML/CFT Law of 2015 third-party payment processors fall into the category of entities that are subject to financial monitoring. Pursuant to the Law of 2015 information on such entities is provided to the designated financial monitoring agency by the RK National Bank.
	2. The internal control rules are not the regulation, and, therefore, the application of any measures by supervisory authorities against supervised entities for non-conformity with these rules may be controversial.	The RK AML/CFT Law of 2014 introduced new paragraph 3-2 into Article 11 of the AML/CFT Law according to which the Requirements for AML/CFT Internal Control Rules of the different types of the covered entities that are subject to financial monitoring are established **in the joint regulations issued by the designated government agency and the relevant government authorities**. Prime Minister's Instruction of July 4, 2014 adopted the **List of Regulations** intended for implementing the provisions of the aforementioned law. In this context, the following regulations were developed and adopted:

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		- for insurance (reinsurance) institutions and insurance brokers – by RK Finance Minister's Order No.523 dated November 26, 2014 and RK National Bank Board Resolution No.238 dated December 24, 2014; - for professional securities market players and the central depository – by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for the stock exchange - by RK Finance Minister's Order No.519 dated November 26, 2014 and RK National Bank Board Resolution No.237 dated December 24, 2014; - for the unified pension savings fund and voluntary pension savings funds - by RK Finance Minister's Order No.520 dated November 26, 2014 and RK National Bank Board Resolution No.239 dated December 24, 2014; - for institutions engaged in certain types of banking operations and microfinance organizations - by RK Finance Minister's Order No.518 dated November 26, 2014 and RK National Bank Board Resolution No.236 dated December 24, 2014; - for notaries – by joint RK Finance Minister's Order No.531 of November 28, 2014 and Justice Minister's Order No.360 of December 11, 2014; - for audit firms – by RK Finance Minister's Order No.526 of November 27, 2014; - for accounting organizations and independent accounting professionals ("professional accountants engaged in entrepreneurial activities") – by RK Finance Minister's Order No.477 of November 5, 2014; - for commodity exchange – by joint RK Finance Minister's Order No.532 of November 28, 2014 and acting National Economy Minister's Order No.119 of November 28, 2014; - for postal service operators that render remittance services – by joint RK Finance Minister's Order No.499 of November 19, 2014 and Investment and Development Minister's Order No.182 of November 25, 2014; - for gambling and lottery operators – by joint RK Finance Minister's Order No.527 of November 27, 2014 and Culture and Sports Minister's Order No.112 of November 26, 2014.
	3. Article 168-3 of the Code of Administrative Offences does not	The new Code of Administrative Offences was adopted on July 5, 2014. The provisions of Article 168-3 of the Code of Administrative Offences of 2001 were

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	provide for liability for non-compliance with the requirements of the AML/CFT legislation as it pertains to meeting the requirements of supervisory agencies and the FIU.	amended and transposed into Article 214 of the new Code, which reads as follows **"Breach of the RK AML/CFT Legislation"**: 1. Breach by entities that are subject to financial monitoring of the RK AML/CFT legislation as it pertains to documenting, retaining and proving information on transactions that are subject to financial monitoring and their customers, performing due diligence on customers and beneficiaries (beneficial owners), suspending and refusing to carry out transactions that are subject to financial monitoring and ensuring security of documents obtained in course of their operations – shall entail imposition of fine on individuals – amounting to one hundred monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and forty monthly calculated indices; on medium businesses – amounting to two hundred and twenty monthly calculated indices; and on large businesses – amounting to four hundred monthly calculated indices. 2. Failure by entities that are subject to financial monitoring to develop, adopt and (or) comply with the internal control rules and their implementation programs – shall entail imposition of fine on individuals – amounting to one hundred monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and sixty monthly calculated indices; on medium businesses – amounting to two hundred and fifty monthly calculated indices; and on large businesses – amounting to nine hundred monthly calculated indices. 3. Tipping-off customers and other persons by the executive officers of entities that are subject to financial monitoring about information filed with the designated financial monitoring agency – shall entail imposition of fine amounting to one hundred and fifty monthly calculated indices. 4. Actions (inactions) specified in paragraphs 1 - 3 of this Article committed repeatedly during one year after imposition of the administrative penalty – shall entail imposition of fine on individuals – amounting to one hundred and fifty monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and eighty monthly calculated indices; on medium businesses – amounting to three hundred monthly calculated indices;

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		and on large businesses – amounting to one thousand and two hundred monthly calculated indices. 5. Actions (inactions) specified in paragraphs 1 - 3 of this Article committed repeatedly three or more times during one year after imposition of the administrative penalty – shall entail imposition of fine on individuals – amounting to two hundred monthly calculated indices; on executive officers, lawyers, notaries and individual entrepreneurs – amounting to four hundred monthly calculated indices; on commodity exchanges, corporate accountants, microfinance organizations, non-bank E-money operators, gambling and lottery operators and audit firms – amounting to two thousand monthly calculated indices with suspension of a license to perform certain types of activities or temporary cancellation of a qualification certificate for up to six month or their revocation, or with suspension of activity of a legal entity for up to three months. Besides that, the Law of 2015 introduced amendments into Articles 462 and 804 of the RK Code of Administrative Offences of 2014, according to which the government regulators are authorized to draw up formal reports ("protocols") on administrative offences related to non-compliance with the requirements of the FIU and supervisory authorities. According to Article 463 of the Code of Administrative Offence of 2014 engagement in entrepreneurial or other business activities and in transactions without registration and/or authorization as well as failure to file the relevant notice in situations where registration, authorization and notification are binding, unless such actions constitute a criminal offence – shall entail imposition of fine on individuals – amounting to fifteen monthly calculated indices; on executive officers and small businesses that are subject to financial monitoring – amounting to twenty five monthly calculated indices; on medium businesses that are subject to financial monitoring – amounting to forty monthly calculated indices; and on large businesses that are subject to financial monitoring – amounting to one hundred and fifty monthly calculated indices with or without forfeiture of instrumentalities of administrative offence, while engagement in entrepreneurial or

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		other business activities without license shall additionally entail forfeiture of proceeds (dividends), funds and securities obtained through administrative offence. 2. Actions specified in paragraph 1 of this Article committed repeatedly during one year after imposition of the administrative penalty – shall entail imposition of fine on individuals – amounting to thirty monthly calculated indices; on small businesses that are subject to financial monitoring – amounting to fifty monthly calculated indices; on medium businesses that are subject to financial monitoring – amounting to eighty monthly calculated indices; and on large businesses that are subject to financial monitoring – amounting to five hundred monthly calculated indices with forfeiture of instrumentalities of administrative offence, while engagement in entrepreneurial or other business activities without license shall additionally entail forfeiture of proceeds (dividends), funds and securities obtained through administrative offence. Note: Liability under this Article does not apply to notification and registration of foreign currency transactions in compliance with the RK Law on Foreign Exchange Regulation and Control and to notices filed in compliance with the RK Law on Natural Monopolies and Regulated Markets. Furthermore, the amendments introduced into Article 214 of the RK Code of Administrative Offences in 2015 empowered the authorized personnel of the RK National Bank to draw up formal reports ("protocols") on administrative offences to be further filed for proceedings with courts. The provisions of the RK Laws on Banks and Banking Activity (Article 46(1)), on Insurance of December 18, 2000 (Article 53-2(1)) and on Pension Coverage of June 21, 2013 (Article 58(1)) authorize the RK National Bank to impose restrictive measures against supervised financial institutions for non-compliance with the RK legislation, *inter alia*, for breaching the AML/CFT legislation. RK Law No.206-V amended Article 3-1(1) of the RK Law on Securities Market of July 2, 2003 which now authorizes the RK National Bank to impose restrictive measures

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		against professional securities market players for non-compliance with the RK legislation, *inter alia*, for breaching the AML/CFT legislation. Besides that, Article 724 of the RK Code of Administrative Offences of 2014 empowers the RK National Bank to consider cases involving administrative offences covered by Article 227 of the Code (*Non-compliance or untimely compliance with obligations undertaken and (or) imposed as a result of application of restrictive measures*).
	4. The Law on Banks and Banking Activity in the Republic of Kazakhstan does not provide for application of restrictive measures (preceding suspension and (or) revocation of the license) for violation of the AML/CFT legislation.	According to Article 46(1) of the RK Law on Banks and Banking Activity in the Republic of Kazakhstan **in case of detection by the designated government authority** of violations of prudential and other binding regulations and limits, **breaches of RK legislation**, wrongful actions or inactions of executive officers and employees of a bank (which may threaten financial security and stability of the bank and the interests of its depositors, customers and correspondent institutions), and also non-compliance with other requirements of the designated government authority imposed in compliance with this Law, the RK National Bank is authorized to apply one of the following restrictive measures against such bank: a) request a letter of commitment; b) draw up a written agreement with the bank; c) issue a written warning; d) give a binding written order. The provisions of the said Article allow the RK National Bank to impose restrictive measures against the second-tier banks for breaching any laws of the Republic of Kazakhstan compliance with which is monitored by the National Bank, including the AML/CFT legislation. Furthermore, Law No.206-V introduced amendments into Article 46(8) of the Law on Banks and Banking Activity in the Republic of Kazakhstan which now allows for applying restrictive measures against institutions engaged in certain types of banking operations. Besides that, Article 724 of the RK Code of Administrative Offences of 2014 empowers the RK National Bank to consider cases involving administrative offences covered by Article 227 of the Code (*Non-compliance or untimely compliance with obligations undertaken and (or) imposed as a result of application of restrictive measures*).

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		RK National Bank Board Resolution No.317 of October 29, 2012 (registered with the RK Ministry of Justice on December 10, 2012; Reg.No.8167) adopted the Regulation on application of restrictive measures against the second-tier banks, institutions engaged in certain types of banking operations, large shareholders of banks, bank holding companies and institutions that are members of banking groups and on application of compulsive measures against entities that shows characteristics of large shareholders or banking groups, large shareholders of banks, bank holding companies or legal entities that are members of banking groups.
	5. The regulations (Guidelines 67 and 68) that establish the procedure for application of restrictive measures against pension savings funds, major participants of the open pension savings fund and securities market entities do not provide for application by the AFS of restricted measures in case of violations of the law in the area of AML/CFT.	According to Article 9(1)(9) of the RK Law on Government Regulation, Monitoring and Supervision of Financial Market and Financial Institution the RK National Bank establishes the procedure of application and applies **restrictive measures**, compulsive measures and sanctions provided for by the RK legislation, *inter alia*, for mitigating risks, against financial institutions, large members/ shareholders of financial institutions, banking and insurance holding companies and members of banking and insurance groups. For implementing the RK Law on Pension Coverage in the Republic of Kazakhstan of June 21, 2013 the Regulation on application of **restrictive measures against the unified pension savings fund and voluntary pension savings funds** was adopted by RK National Bank Board Resolution No.182 of July 26, 2013. Pursuant to Article 58(1) of the RK Law in Pension Coverage **in case of detection by the designated government authority of breaches of RK legislation**, wrongful actions or inactions of executive officers and employees of the unified pension savings fund and voluntary pension savings funds and also non-compliance with other requirements of the designated government authority imposed in compliance with this Law, the designated government authority is authorized to apply one of the following restrictive measures against the unified pension savings fund and voluntary pension savings funds: 1) give a binding written order; 2) request shareholders to disqualify (dismiss) the executive officers of the unified pension savings fund and voluntary pension savings funds; 3) request a letter of commitment; 4) draw up a written agreement binding for signature.

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		The provisions of the said Article allow the RK National Bank to impose restrictive measures against the unified pension savings fund and voluntary pension savings funds for breaching any laws of the Republic of Kazakhstan compliance with which is monitored by the National Bank, including the AML/CFT legislation. As noted above, Law No.206-V introduced amendments into Article 3-1(1) of the RK Law on Securities Market of July 2, 2003 which empowered the RK National Bank to **apply restrictive measures against professional securities market players** for breaching not just the regulations of the designated government authority, but any laws of Kazakhstan, including the AML/CFT legislation. The Regulation on application of restrictive measures against securities market players and (or) entities that show characteristics of large shareholders (members) and are large shareholders (members) of investment management companies was adopted by RK National Bank Board Resolution No.183 of July 26, 2013.
	6. Given that no procedure for application of sanctions determined on by the AFS was presented (sub. par. 9 of par. 1 of art. 9 of the Law "On State Regulation and Supervision of Financial Market and Financial Institutions"), it is impossible to assess the mechanism for application of sanctions.	As mentioned above, the sanction application procedure in established in the relevant laws (Law on Banks and Banking Activity, Law on Insurance, Law on Pension Coverage and Law on Securities Market), while the type of sanction to be imposed depends of the nature of committed offence. According to Article 9(1)(9) of the RK Law on Government Regulation, Monitoring and Supervision of Financial Market and Financial Institution the RK National Bank establishes the procedure of application and applies **restrictive measures**, compulsive measures and sanctions provided for by the RK legislation, *inter alia*, for mitigating risks, against financial institutions, large members/ shareholders of financial institutions, banking and insurance holding companies and members of banking and insurance groups. For implementing the RK Law on Pension Coverage in the Republic of Kazakhstan of June 21, 2013 the Regulation on application of **restrictive measures against the unified pension savings fund and voluntary pension savings funds** was adopted by RK National Bank Board Resolution No.182 of July 26, 2013. Pursuant to Article 58(1) of the RK Law in Pension Coverage **in case of detection by the designated government authority of breaches of RK legislation**, wrongful actions or inactions of executive officers and employees of the unified pension savings fund and voluntary pension savings funds and also non-compliance with other

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		requirements of the designated government authority imposed in compliance with this Law, the designated government authority is authorized to apply one of the following restrictive measures against the unified pension savings fund and voluntary pension savings funds: 1) give a binding written order; 2) request shareholders to disqualify (dismiss) the executive officers of the unified pension savings fund and voluntary pension savings funds; 3) request a letter of commitment; 4) draw up a written agreement binding for signature. The provisions of the said Article allow the RK National Bank to impose restrictive measures against the unified pension savings fund and voluntary pension savings funds for breaching any laws of the Republic of Kazakhstan compliance with which is monitored by the National Bank, including the AML/CFT legislation. As noted above, Law No.206-V introduced amendments into Article 3-1(1) of the RK Law on Securities Market of July 2, 2003 which empowered the RK National Bank to **apply restrictive measures against professional securities market players** for breaching not just the regulations of the designated government authority, but any laws of Kazakhstan, including the AML/CFT legislation. The Regulation on application of restrictive measures against securities market players and (or) entities that show characteristics of large shareholders (members) and are large shareholders (members) of investment management companies was adopted by RK National Bank Board Resolution No.183 of July 26, 2013.
	7. The AFS is not empowered to apply restrictive measures against securities market and pension savings funds entities for non-compliance with the AML / CFT law. This means that sanctions in respect of these sectors are not proportionate to the seriousness of the situation.	According to Article 9(1)(9) of the RK Law on Government Regulation, Monitoring and Supervision of Financial Market and Financial Institution the RK National Bank establishes the procedure of application and applies **restrictive measures**, compulsive measures and sanctions provided for by the RK legislation, *inter alia*, for mitigating risks, against financial institutions, large members/ shareholders of financial institutions, banking and insurance holding companies and members of banking and insurance groups. For implementing the RK Law on Pension Coverage in the Republic of Kazakhstan of June 21, 2013 the Regulation on application of **restrictive measures against the**

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		unified pension savings fund and voluntary pension savings funds was adopted by RK National Bank Board Resolution No.182 of July 26, 2013. Pursuant to Article 58(1) of the RK Law in Pension Coverage **in case of detection by the designated government authority of breaches of RK legislation**, wrongful actions or inactions of executive officers and employees of the unified pension savings fund and voluntary pension savings funds and also non-compliance with other requirements of the designated government authority imposed in compliance with this Law, the designated government authority is authorized to apply one of the following restrictive measures against the unified pension savings fund and voluntary pension savings funds: 1) give a binding written order; 2) request shareholders to disqualify (dismiss) the executive officers of the unified pension savings fund and voluntary pension savings funds; 3) request a letter of commitment; 4) draw up a written agreement binding for signature. The provisions of the said Article allow the RK National Bank to impose restrictive measures against the unified pension savings fund and voluntary pension savings funds for breaching any laws of the Republic of Kazakhstan compliance with which is monitored by the National Bank, including the AML/CFT legislation. As noted above, Law No.206-V introduced amendments into Article 3-1(1) of the RK Law on Securities Market of July 2, 2003 which empowered the RK National Bank to **apply restrictive measures against professional securities market players** for breaching not just the regulations of the designated government authority, but any laws of Kazakhstan, including the AML/CFT legislation. The Regulation on application of restrictive measures against securities market players and (or) entities that show characteristics of large shareholders (members) and are large shareholders (members) of investment management companies was adopted by RK National Bank Board Resolution No.183 of July 26, 2013.
	8. The AFS will not be able to apply appropriate measures against certain executives (top executives and chief	Indeed, according to the RK Laws on Banks and Banking Activity, on Insurance, on Pension Coverage and on Securities Market heads and chief accountants of stand-alone divisions (branches) of the relevant financial institutions do not fall into the category of chief

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	accountants of separate divisions) of financial institutions (banks, insurance/ reinsurance companies, securities market and pension savings funds).	executive officers. However, its means that only those sanctions that involve their dismissal and (or) withdrawal of approval for their appointment are not applicable to them. This does prohibit the RK National Bank from applying restrictive measures and other sanctions against such executives. At the same time, it should be kept in mind that according to the requirements for internal control and risk management systems of these financial institutions the executive bodies and management bodies (boards of directors) shall be engaged in establishment and operation of such systems. Therefore, the executives of these financial institutions are also responsible for effective management of ML/FT risks. Besides that, as noted above, AML/CFT compliance officers in financial institutions shall be appointed from among executive officers, i.e. senior managers. In some cases, (for example in the banking sector) it is the direct requirement – the chief compliance officer shall be the member of the bank board. In this context, the restrictive measures and sanctions the RK National Bank is empowered to apply are sufficient for effective enforcement of compliance with the AML/CFT legislation.
	9. The Ministry of Communications has no authority to apply any sanctions against postal service operators.	Article 4 of the RK Law on Postal Services authorizes postal service operators to perform the following types of activities and provide the following services: 1) Provide postal communication services; 2) Perform financial activities and provide financial services RK Law No.206-V introduced a new paragraph into amendments into Article 6(2) of the Law on Postal Services, which reads as follows: "The RK National Bank oversees compliance by the National Postal Service Operator with the RK AML/CFT legislation **in course of performing financial activities and providing financial services**. The designated government authority oversees compliance by the National Postal Service Operator with the RK AML/CFT legislation **in course of providing postal remittance services**". The designated government authority **is the government postal communication agency (the Committee for Communications, Information and Information Technologies of the RK Investment and Development Ministry) that pursues, within**

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		the scope of powers vested in it, the government postal communication policy and oversees, coordinates and regulates activities of the postal service operators. According to Article 4(2)(4) of the RK Law on Postal Service the postal communication services include postal remittance services. Article 1(32) of the RK Law on Postal Service defines a postal remittance as a remittance service provided with the use of the public postal network or other communication facilities which requires completion of the standard form approved by the designated government authority in the postal communications sector. Therefore, the legislation pertaining to payments and fund transfers (the RK Law on Payments and Fund Transfers and RK National Bank Board Resolutions No.179 of April 25, 2000 and No.395 of October 13, 2000) applies to the operation of KazPost as it pertains to carrying out fund transfer transactions (as one of the types of banking activities) involving transfer of funds with the use of bank accounts, which KazPostis authorized to perform, and without use of bank accounts, which KazPost performs in the capacity of the agent of the remittance service providers (Western Union, etc.). The RK National Bank oversees compliance with this legislation. On the other hand, operation of KazPost as it pertains to provision of postal remittance services, i.e. transfer of funds without use of bank accounts not in the capacity of the agent of the remittance service provides, but through the postal network, is regulated by the postal communication legislation (the RK Law on Postal Service and RK Government Resolution No.72 of January 16, 2012 on Adoption of the Postal Communication Service Regulation and the Postal Stamp Regulation). The Committee for Communications, Information and Information Technologies of the RK Investment and Development Ministry oversees compliance with this legislation. As noted above, RK Finance Minister's Order No.521 of November 26, 2014 and RK National Bank Resolution No.253 of December 24, 2014 adopted the Requirements for AML/CFT Internal Control Rules of the second-tier banks and the National Postal Service Operator which (the Requirements) apply to financial operations of KazPost. Furthermore, RK Finance Minister's Order No.499 of November 19, 2014 and RK Investment and Development Minister's Order No.182 of November 25, 2014 adopted the Requirements for AML/CFT Internal Control Rules of postal service operators engaged in

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		provision of remittance services which (the Requirements) apply to remittance services provided by KazPost. Besides that, Law No.206-V introduced a new provision into Article 636 of the RK Code of Administrative Offences of January 30, 2001. According to this new provision the designated officers of the competent authority in the postal communications sector are authorized to draw up formal reports ("protocols") on administrative offences covered by Article 168-3 of the Code of Administrative Offences of 2011 (Article 214 of the Code of Administrative Offences of 2014). The similar provision was included in Article 804 of the Code of Administrative Offences of 2014. Pursuant to the Article 9(2-1) of the RK Law on Government Regulation, Monitoring and Supervision of Financial Market and Financial Institution the designated government authority oversees **compliance by financial institutions and the National Postal Service Operator** with the RK AML/CFT legislation as it pertains to recording, retaining and reporting transactions with funds and (or) other property (assets) that are subject to financial monitoring, conducting due diligence with respect to customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring, ensuring security of documents obtained in course of their operations, and arranging for and implementing the internal controls, as prescribed by the RK legislation. The new Code of Administrative Offences was adopted on July 5, 2014. The provisions of Article 168-3 of the Code of Administrative Offences of 2001 were amended and transposed into Article 214 of the new Code, which reads as follows **"Breach of the RK AML/CFT Legislation"**: 1. Breach by entities that are subject to financial monitoring of the RK AML/CFT legislation as it pertains to documenting, retaining and proving information on transactions that are subject to financial monitoring and their customers, performing due diligence on customers and beneficiaries (beneficial owners), suspending and refusing to carry out transactions that are subject to financial monitoring and ensuring security of documents obtained in course of their operations – shall entail imposition of a fine on individuals – amounting to one hundred monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit

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		organizations – amounting to one hundred and forty monthly calculated indices; on medium businesses – amounting to two hundred and twenty monthly calculated indices; and on large businesses – amounting to four hundred monthly calculated indices. 2. Failure by entities that are subject to financial monitoring to develop, adopt and (or) comply with the internal control rules and their implementation programs – shall entail imposition of a fine on individuals – amounting to one hundred monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and sixty monthly calculated indices; on medium businesses – amounting to two hundred and fifty monthly calculated indices; and on large businesses – amounting to nine hundred monthly calculated indices. 3. Tipping-off customers and other persons by the executive officers of entities that are subject to financial monitoring about information filed with the designated financial monitoring agency – shall entail imposition of a fine amounting to one hundred and fifty monthly calculated indices. 4. Actions (inactions) specified in paragraphs 1 - 3 of this Article committed repeatedly during one year after imposition of the administrative penalty – shall entail imposition of a fine on individuals – amounting to one hundred and fifty monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and eighty monthly calculated indices; on medium businesses – amounting to three hundred monthly calculated indices; and on large businesses – amounting to one thousand and two hundred monthly calculated indices. 5. Actions (inactions) specified in paragraphs 1 - 3 of this Article committed repeatedly three or more times during one year after imposition of the administrative penalty – shall entail imposition of a fine on individuals – amounting to two hundred monthly calculated indices; on executive officers, lawyers, notaries and individual entrepreneurs – amounting to four hundred monthly calculated indices; on commodity exchanges, corporate accountants, microfinance organizations, non-bank E-money operators, gambling and lottery operators and audit firms – amounting to two thousand monthly

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		calculated indices with suspension of a license to perform certain types of activities or temporary cancellation of a qualification certificate for up to six month or their revocation, or with suspension of activity of a legal entity for up to three months.
	10. Due to lack of practice of sanction application, it is not possible to assess the level of effectiveness.	In the reporting period, being conducted were 2.108 inspections/audits, which resulted in imposition of fines (sanctions) totaling 30,191.0 thousand tenge (around USD 162,317). Statistics broken down by years is presented in Table 6.
18. Shell Banks	No prohibition of correspondent relationships with shell banks.	The RK AML/CFT Law of 2014 introduced the following new definition into Article 1 of the AML/CFT Law: **Shell bank** means a non-resident bank that has no physical presence in a country (territory) in which it is incorporated as the bank and (or) is licensed to perform banking activities, unless such bank is directly or indirectly owned by a banking holding company that is subject to consolidated supervision in the country (territory) in which it is registered; Physical presence means a place of business of a bank at a permanent address (apart from mailbox address or email address), where bank executive bodies and staff sit, banking records and documents are kept, and inspections/audits are conducted by a designated government authority that issued the banking license to a non-resident bank. According to Article 9 of the RK AML/CFT Law, when establishing correspondent relationships with foreign financial institutions, the entities that are subject to financial monitoring listed in Article 3(1)(1) hereof, apart from undertaking measures specified in Article 5(3) hereof, shall be additionally obliged to: 1) Collect and document (record in writing) information on reputation and on nature of a business of a foreign respondent financial institution, including information on whether it has been subject to sanctions for breaching the AML/CFT legislation of a country of its incorporation/ registration; 2) Document (record in writing) information on the AML/CFT internal controls implemented by a foreign respondent financial institution in compliance with the legislation of a country of its incorporation/ registration, and also assess effectiveness of the implemented internal controls;

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		3) Not to establish and maintain correspondent relationships with shell banks; 4) Ascertain that a foreign respondent financial institution does not permit its accounts to be used by shell banks; 5) Obtain approval of the senior manager for establishing new correspondent relationships. Whether or not a foreign respondent financial institution has correspondent relationships with shell banks shall be determined based on the information provided by a foreign respondent financial institution and (or) obtained by an entity that is subject to financial monitoring from other sources. The customer identification program set forth in the Requirements for Internal Control Rules contains the minimum information that shall be recorded in a customer file and which veracity shall be verified in course of regular, simplified or enhanced identification as per Annexes 1, 2 and 3 to the Requirements, including information on whether or not a foreign respondent financial institution has existing correspondent relationships with shell banks with indication of names of such shell banks (if any) and also information on whether or not a foreign respondent financial institution has procedures in place that prevent establishment of correspondent relationships with shell banks.
	No prohibition of relationships with respondent institutions that have accounts in shell banks.	According to Article 9 of the RK AML/CFT Law, when establishing correspondent relationships with foreign financial institutions, the entities that are subject to financial monitoring listed in Article 3(1)(1) hereof, apart from undertaking measures specified in Article 5(3) hereof, shall be additionally obliged to: 1) Collect and document (record in writing) information on reputation and on nature of a business of a foreign respondent financial institution, including information on whether it has been subject to sanctions for breaching the AML/CFT legislation of a country of its incorporation/ registration; 2) Document (record in writing) information on the AML/CFT internal controls implemented by a foreign respondent financial institution in compliance with the legislation of a country of its incorporation/ registration, and also assess effectiveness of the implemented internal controls;

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		3) Not to establish and maintain correspondent relationships with shell banks; 4) Ascertain that a foreign respondent financial institution does not permit its accounts to be used by shell banks; 5) Obtain approval of the senior manager for establishing new correspondent relationships. Whether or not a foreign respondent financial institution has correspondent relationships with shell banks shall be determined based on the information provided by a foreign respondent financial institution and (or) obtained by an entity that is subject to financial monitoring from other sources. The customer identification program set forth in the Requirements for Internal Control Rules contains the minimum information that shall be recorded in a customer file and which veracity shall be verified in course of regular, simplified or enhanced identification as per Annexes 1, 2 and 3 to the Requirements, including information on whether or not a foreign respondent financial institution has existing correspondent relationships with shell banks with indication of names of such shell banks (if any) and also information on whether or not a foreign respondent financial institution has procedures in place that prevent establishment of correspondent relationships with shell banks.
21. Special Attention for Higher Risk Countries	1. The "non-cooperating countries" concept is not defined and set forth in the legislation and there is no obligation to pay special attention to transactions with persons from such countries.	According to Article 4(4) of the AML/CFT Law the **grounds for mandatory examination** by entities that are subject to financial monitoring of customer transactions and recording the results of such examination in accordance with Article 5 hereof are as follows: … **transaction with funds and (or) other property (assets) the party to which is a person registered (residing) in a country (territory) that does not comply with the Recommendations of the Financial Action Task Force (FATF) as well as with the use of account opened with a bank registered in such country (territory).** The list of countries (territories) that do not or insufficiently comply with the Recommendations of the Financial Action Task Force (FATF) is compiled by the designated government agency with due consideration for documents issued by the FATF and is disseminated to the relevant government authorities which communicate it to entities

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		that subject to financial monitoring, except for non-bank E-money operators which are directly notified by the Committee. Pursuant to Article 11(3-2) of the AML/CFT Law the Requirements for Internal Control Rules of the different types of the covered entities that are subject to financial monitoring are established in the joint regulations issued by the designated government agency and the relevant government authorities. The Requirements for Internal Control Rules developed for the non-financial sector provide that pursuant to the ML/FT risk management program high risk shall be assigned to business relationships and transactions with individuals and legal entities **from countries (territories) that do not and (or) insufficiently comply with the FATF Recommendations, that have high level of corruption or other crime, that are subject to sanctions, embargo and similar measures imposed by the UN, that finance or support terrorist (extremist) activities, and in which the designated terrorist (extremist) organizations operate.** **The Requirements for Internal Control Rules developed for the financial sector** oblige **entities that are subject to financial monitoring** to assess country (geographic) risk related to carrying out business operations in foreign countries listed herein, to providing services (products) to customers from such foreign countries and to conducting transactions with funds and (or) other property (assets) with involvement of such countries. Foreign countries transactions with which pose enhanced ML/FT risks are: 1) Foreign countries (territories) included in the list of countries (territories) that do not or insufficiently comply with the FATF Recommendations compiled by the designated financial monitoring agency; 2) Foreign countries (territories) that are subject to international sanctions (embargo) imposed in compliance with the US Security Council Resolutions; 3) Foreign countries (territories) included in the list of tax havens adopted by the RK Government; 4) Foreign countries (territories) identified by a bank as posing high ML/FT risks based on other factors (information on corruption level, illicit production, trafficking and (or) transit of narcotic drugs, support of international terrorism).

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	2. There is no requirement to examine transactions with persons from "non-cooperative" countries and to keep the findings in such way as to make them available to the designated agency or an auditor.	According to Article 4(4) of the AML/CFT Law the **grounds for mandatory examination** by entities that are subject to financial monitoring of customer transactions and recording the results of such examination in accordance with Article 5 hereof are as follows: … **transaction with funds and (or) other property (assets) the party to which is a person registered (residing) in a country (territory) that does not comply with the Recommendations of the Financial Action Task Force (FATF) as well as with the use of account opened with a bank registered in such country (territory).** The list of countries (territories) that do not or insufficiently comply with the Recommendations of the Financial Action Task Force (FATF) is compiled by the designated government agency with due consideration for documents issued by the FATF and is disseminated to the relevant government authorities which communicate it to entities that subject to financial monitoring, except for non-bank E-money operators which are directly notified by the Committee. Pursuant to Article 11(3-2) of the AML/CFT Law the Requirements for Internal Control Rules of the different types of the covered entities that are subject to financial monitoring are established in the joint regulations issued by the designated government agency and the relevant government authorities. The Requirements for Internal Control Rules developed for the non-financial sector provide that pursuant to the ML/FT risk management program high risk shall be assigned to business relationships and transactions with individuals and legal entities **from countries (territories) that do not and (or) insufficiently comply with the FATF Recommendations, that have high level of corruption or other crime, that are subject to sanctions, embargo and similar measures imposed by the UN, that finance or support terrorist (extremist) activities, and in which the designated terrorist (extremist) organizations operate.** **The Requirements for Internal Control Rules developed for the non-financial sector** oblige **entities that are subject to financial monitoring** to assess country (geographic) risk related to carrying out business operations in foreign countries listed herein, to providing services (products) to customers from such foreign countries and to

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		conducting transactions with funds and (or) other property (assets) with involvement of such countries. Foreign countries transactions with which pose enhanced ML/FT risks are: 1) Foreign countries (territories) included in the list of countries (territories) that do not or insufficiently comply with the FATF Recommendations compiled by the designated financial monitoring agency; 2) Foreign countries (territories) that are subject to international sanctions (embargo) imposed in compliance with the US Security Council Resolutions; 3) Foreign countries (territories) included in the list of tax havens adopted by the RK Government; 4) Foreign countries (territories) identified by a bank as posing high ML/FT risks based on other factors (information on corruption level, illicit production, trafficking and (or) transit of narcotic drugs, support of international terrorism). Article 11(4) of the AML/CFT Law obliges entities that are subject to financial monitoring to retain documents **and information obtained through the CDD measures, including customer file and business correspondence**, for at least five years after termination of business relationship with a customer. **Documents and data on transactions that are subject to financial monitoring, *inter alia*, on suspicious transactions as well as findings obtained as a result of examination of all complex, large and other unusual transactions shall be retained by entities that are subject to financial monitoring for at least five years following completion of a transaction.** Furthermore, according to the Requirements or Internal Control Rules developed and adopted for each type of entities that are subject to financial monitoring the AML/CFT internal control arrangement program includes, among other things, the procedure of recording data and retaining documents and information obtained in course of implementation of AML/CFT internal controls, while the customer transaction examination and monitoring program includes the procedure (including methods) of recording and retaining results of examination of unusual transactions and information on above-threshold and suspicious transactions (including transaction amount, payment currency and information on customer's counterparty).

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		Besides that, the draft law being currently under development will introduce amendments and modifications into Article 10 as it pertains requesting by the designated government authority of required information, data and documents from entities that are subject to financial monitoring.
	3. Kazakhstan has not established counter-measures to be applied to countries that do not or insufficiency apply the FATF Recommendations.	According to Article 4(4) of the AML/CFT Law the **grounds for mandatory examination** by entities that are subject to financial monitoring of customer transactions and recording the results of such examination in accordance with Article 5 hereof are as follows: … **transaction with funds and (or) other property (assets) the party to which is a person registered (residing) in a country (territory) that does not comply with the Recommendations of the Financial Action Task Force (FATF) as well as with the use of account opened with a bank registered in such country (territory).** The list of countries (territories) that do not or insufficiently comply with the Recommendations of the Financial Action Task Force (FATF) is compiled by the designated government agency with due consideration for documents issued by the FATF and is disseminated to the relevant government authorities which communicate it to entities that subject to financial monitoring, except for non-bank E-money operators which are directly notified by the Committee. Pursuant to ML/FT risk management program set forth in the Requirements for Internal Control Rules entities that are subject to financial monitoring are obliged to assess country (geographic) risk related to carrying out business operations in foreign countries listed herein, to providing services (products) to customers from such foreign countries and to conducting transactions with funds and (or) other property (assets) with involvement of such countries. Foreign countries transactions with which pose enhanced ML/FT risks are: Foreign countries (territories) included in the list of countries (territories) that do not or insufficiently comply with the FATF Recommendations compiled by the designated financial monitoring agency …

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22. Foreign Branches and Subsidiaries	1. The AML/CFT requirements in respect of subsidiaries and branches are not regulated by the RK legislation.	The RK AML/CFT Law of 2014 introduced new paragraph 3-1 to Article 11 of RK Law No.191-IV according to which entities that are subject to financial monitoring shall ensure compliance with the internal control rules and their implementation programs by their branches, subsidiaries and representative offices located both in the Republic of Kazakhstan and abroad, unless it contradicts the legislation of their respective host countries. Besides that, pursuant to Article 11(3-2) of the AML/CFT Law the Committee adopted, jointly with the relevant government authorities, the Requirements for Internal Control Rules of different types of the covered entities that are subject to financial monitoring. The Requirements for Internal Control Rules developed for the non-financial sector oblige entities that are subject to financial monitoring to have the internal control arrangement program that shall include, among other things, the risk management procedure. **The Requirements for Internal Control Rules developed for the financial sector** oblige **entities that are subject to financial monitoring** to assess country (geographic) risk related to carrying out business operations in foreign countries listed herein, to providing services (products) to customers from such foreign countries and to conducting transactions with funds and (or) other property (assets) with involvement of such countries.
	2. There is no obligation to inform the FSA/NB when it is impossible to observe the appropriate AML/CFT measures in a host country.	According to paragraph 3-1 of the AML/CFT Law, as amended in 2014, entities that are subject to financial monitoring shall inform the designated authority and the supervisory and oversight authority when their foreign branches, subsidiaries and representative offices are unable to comply with the internal control rules and their implementation programs because it contradicts the legislation of their respective host countries.
24. DNFBP – Regulation, Supervision and Monitoring	1. Dealers in precious metals and precious stones, real estate agents and accountants are not included in the ESFM list.	According to Article 3 of RK AML/C Law No.191-IV adopted in August 2009 the following entities fall into the category of entities that are subject to financial monitoring: banks; institutions engaged in certain types of banking operations; stock and commodity exchanges; insurance (reinsurance) institutions; insurance brokers; unified pension savings

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		fund and voluntary pension savings funds; professional securities market players; central depository; notaries; lawyers; other independent legal professionals; audit firms; gambling and lottery operators; and postal service operators rendering remittance services. According to AML/CFT Law No.191-IV, as amended by the RK AML/CFT Law of 2014, the entities that are subject to financial monitoring now also include **microfinance organizations; non-bank e-money operators;** accounting organizations; and independent accounting professionals ("professional accountants engaged in entrepreneurial activities"). According to the RK AML/CFT Law of 2015 the following entities also fall in the category of entities that are subject to financial monitoring: - Individual and corporate leasing entities operating in the capacity of unlicensed lessors, - Pawnshops; - Individual and corporate dealers in precious metals, precious stones and articles made thereof; - Individual and corporate real estate agents; - Third-party payment processors. For the purpose of implementation of the RK AML/CFT Law of 2015 the Prime Minister's Decree requires to develop the Requirements for the AML/CFT Internal Control Rules of new entities that are subject to financial monitoring (included in this category in 2015). The RK AML/CFT Law of 2015 amended Annex 3 to the RK Law on Permits and Notices by adding a new notice: **"Notice on commencement and termination of operation of an entity that is subject to financial monitoring in compliance with the RK AML/CFT Law".** Besides that, the RK AML/CFT Law of 2015 extended the powers vested in the designated financial monitoring agency. New subparagraphs 13(1) and 13(2) were added into Article 16 of the AML/CFT Law, according to which the designated agency registers and receives notices from the entities that are subject to financial monitoring listed in

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		Article 3(1)(7)(12-16) of the AML/CFT Law in compliance with the RK Law on Permits and Notices. Pursuant to the RK Government Instruction a number of regulations will be developed for implementing the AML/CFT Law of 2015. These regulations will include the Requirements for AML/CFT Internal Control Rules of individual and corporate dealers in precious metals, precious stones and articles made thereof, individual and corporate leasing entities operating in the capacity of unlicensed lessors, non-bank e-money operators, pawnshops, individual and corporate real estate agents, credit cooperatives and third-party payment processors.
	2. There is no effective monitoring of compliance by DNFBPs with measures in the area of AML / CFT.	*In the reporting period, being conducted were 2,217 audits/inspections of non-financial institutions which resulted in imposition of fines totaling 31,333.5 thousand tenge which is the equivalent of over USD 168,000.* *The audit/inspection statistics broken down by financial institutions is presented in Table 6.*
	3. All regulatory authorities lack the necessary regulatory and internal acts governing the procedure for carrying out monitoring and applying sanctions for violations in the AML/CFT area.	According to the RK Law on Government Oversight and Supervision in the Republic of Kazakhstan compliance with the Kazakh AML/CFT legislation is subject to government monitoring and oversight. Pursuant to Article 11(2) the government regulators shall adopt, within the scope of powers vested in them, the regulations specified in Articles 13(2) and (3), Article 14(1) and Article 15(1) of the said Law and semi-annual audit/inspection schedules.
	4. The competent authorities (RK MTC, RK MoJ, RK MoF Tax Committe, etc.) lack the authority to review cases and implement measures under art. 168-3 of the Code of Administrative Offences.	*According to Article 214 of the RK Code of Administrative Offences of 2014* breach by entities that are subject to financial monitoring of the RK AML/CFT legislation as it pertains to documenting, retaining and proving information on transactions that are subject to financial monitoring and their customers, performing due diligence on customers and beneficiaries (beneficial owners), suspending and refusing to carry out transactions that are subject to financial monitoring and ensuring security of documents obtained in course of their operations – shall entail imposition of fine on individuals – amounting to one hundred monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and forty monthly calculated indices; on

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		medium businesses – amounting to two hundred and twenty monthly calculated indices; and on large businesses – amounting to four hundred monthly calculated indices. 2. Failure by entities that are subject to financial monitoring to develop, adopt and (or) comply with the internal control rules and their implementation programs – shall entail imposition of fine on individuals – amounting to one hundred monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and sixty monthly calculated indices; on medium businesses – amounting to two hundred and fifty monthly calculated indices; and on large businesses – amounting to nine hundred monthly calculated indices. 3. Tipping-off customers and other persons by the executive officers of entities that are subject to financial monitoring about information filed with the designated financial monitoring agency – shall entail imposition of fine amounting to one hundred and fifty monthly calculated indices. 4. Actions (inactions) specified in paragraphs 1 - 3 of this Article committed repeatedly during one year after imposition of the administrative penalty – shall entail imposition of fine on individuals – amounting to one hundred and fifty monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and eighty monthly calculated indices; on medium businesses – amounting to three hundred monthly calculated indices; and on large businesses – amounting to one thousand and two hundred monthly calculated indices. 5. Actions (inactions) specified in paragraphs 1 - 3 of this Article committed repeatedly three or more times during one year after imposition of the administrative penalty – shall entail imposition of fine on individuals – amounting to two hundred monthly calculated indices; on executive officers, lawyers, notaries and individual entrepreneurs – amounting to four hundred monthly calculated indices; on commodity exchanges, corporate accountants, microfinance organizations, non-bank E-money operators, gambling and lottery operators and audit firms – amounting to two thousand monthly calculated indices with suspension of a license to perform certain types of activities or

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		temporary cancellation of a qualification certificate for up to six month or their revocation, or with suspension of activity of a legal entity for up to three months. Article 804 of the Code of Administrative Offences of 2014 empowers the following duly authorized officers to draw up formal reports (protocols) on administratively punishable offences to be further filed for proceedings with courts: …14) Duly authorized officers of the designated authority in charge of regulation of the gambling sector (Articles 214, 444(1) and 445); 27) Duly authorized officers of the RM Ministry of Finance (Article 185 (when offences are committed by auditors and audit firms), Article 214 (when offences are committed by auditors and audit firms), Articles 216, 219, 233(3), 235, 236, 237, 245 and 246); 33) Duly authorized officers of the justice authorities (Article 158, 214, 462, 467 and 668); 40) Duly authorized officers of the designated authority in charge of regulation of trade activities (Article 185 (when offences are committed by exchange brokers and (or) dealers and by commodity exchange personnel) and Article 214); 59) Duly authorized officers of the designated authority in charge of regulation of the postal service sectory (Article 214). The Law of 215 amended the first paragraph of Article 214(2) of the Code of Administrative Offences, which now reads as follows: “2. Failure by entities that are subject to financial monitoring to comply with the obligations pertaining to development, adoption and (or) compliance with the internal control rules and their implementation programs or inconsistency of the internal control rules with the RK AML/CFT legislation - ” 2) Notes to Article 462 were amended to read as follows: “Notes. 1. Individuals (unless they are subject to financial monitoring) are exempt from administrative liability imposed under paragraphs 1 and 2 of this Article for refusal to provide the required documents, statistics (except for primary statistics) and other data, and information on installation of electricity and water meters.

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		2. Legal entities (unless they is subject to financial monitoring) that are the government owned companies, limited liability companies, joint stock companies, including the national management holding companies, national holding companies, national companies, in which the government has a stake, and also their subsidiaries and other legal entities associated and/or affiliated with them are exempt from administrative liability imposed under paragraphs 1 and 2 of this Article for refusal to provide the required documents, statistics (except for primary statistics) and other data, and information on installation of electricity and water meters, consumption and losses of electricity and water, if such legal entities consumes less than five hundred tons of fuel equivalent per year". The Law of 2015 amended Article 804 of the Code of Administrative Offences of 2014. In particular, the revised paragraphs 14, 27, 40 and 24 of Clause 1 of this Article now read as follows: "14) Duly authorized officers of the designated authority in charge of regulation of the gambling sector (Articles 214, 444(1), 445 and 462); 27) Duly authorized officers of the RM Ministry of Finance (Article 185 (when offences are committed by auditors and audit firms), Article 214 (when offences are committed by auditors and audit firms), Articles 216, 219, 233(3), 235, 236, 237, 245, 246 and 426); 40) Duly authorized officers of the designated authority in charge of regulation of trade activities (Article 185 (when offences are committed by exchange brokers and (or) dealers and by commodity exchange personnel), Article 214 and Article 462); 59) Duly authorized officers of the designated authority in charge of regulation of the postal service sectory (Articles 214 and 462)". *According to Article 682 of the Code of Administrative Offences of 2014* cases related to administrative offences are considered by: 1) Judges of special administrative courts; 2) Judges of special inter-district juvenile courts; 3) Executive officer of the government authorities who (officers) are authorized to do so by the Code of Administrative Offences. Thus, the legislation does not provide for filing the administrative offences-related cases with the government authorities for consideration.

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25. Guidelines and Feedback	1. Supervisory authorities have developed no guidelines for private sector	Pursuant to the Agreement on Cooperation and Interaction in the Sphere of AML/CFT concluded between the Ministry of Finance of the Republic of Kazakhstan jointly with the National Bank of the Republic of Kazakhstan, the National Bank annually receives statistics of threshold and suspicious transaction reports from the Committee, submitted by financial entities supervised by the National Bank, for supervisory purposes. In April, 2014, the National Bank of the Republic of Kazakhstan, jointly with the OSCE Centre in Astana and the USA Embassy, arranged and conducted the National Workshop on compliance with the anti-money laundering and combating the financing of terrorism legislation in the banking sphere for employees of AML divisions of banks and the staff of the National Bank of the Republic of Kazakhstan. Representatives of the National Bank of the Republic of Kazakhstan, of the Financial Monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan, of the General Prosecutor's Office of the Republic of Kazakhstan, of the Agency of the Republic of Kazakhstan on Fight Against Economic and Corruption Crimes made their reports. Representatives of the National Bank of Slovenia, of the USA Treasury Department, of the OSCE Centre in Astana were guest speakers. Also, in 2014, the National Bank of the Republic of Kazakhstan was the organizer and co-organizer of: the workshop for the staff of microfinance/microcredit institutions on issues concerning activities of microfinance/microcredit institutions, including AML/CFT issues (November, 2014); the workshop for the staff of the Integrated Securities Registrar on the main changes in legislation, including AML/CFT issues (November, 2014).

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		Besides that, employees of the National Bank of the Republic of Kazakhstan were speakers at the workshop arranged by the EBRD for the staff of financial institutions on AML/CFT issues (November, 2014). From 2011 till 2015, the Committee, with the participation of the National Bank of the Republic of Kazakhstan and other supervisory authorities, has repeatedly conducted meetings with entities subject to financial monitoring for the clarification of issues of observing legislative requirements, submitting reports to authorized bodies, etc. In December, 2014, the Committee issued the Book of Questions and Answers containing questions put by entities subject to financial monitoring. In April, 2015, the Guidance was developed on the compliance with the Republic of Kazakhstan legislation in the sphere of combating legalization (laundering) of criminal proceeds and the financing of terrorism and application of risk-based approach for AML/CFT purposes. In May, 2015, the Committee, jointly with the World Bank and the OSCE Centre in Astana, conducted round-table conference with the participation of representatives of supervisory authorities, including the National Bank of the Republic of Kazakhstan, and entities subject to financial monitoring, on future amendments to the AML/CFT legislation. Section *Combating Legalization of Proceeds from Crime and Financing of Terrorism* (www.nationalbank.kz/?docid=1&switch=russian) is created at the website of the National Bank of the Republic of Kazakhstan, which contains regulatory legal acts of the Republic of Kazakhstan concerning AML/CFT, main FATF documents, United Nations Security Council Resolutions (UNSCRs), lists of terrorists designated pursuant to UNSCR 1267 and 1988, documents of the Basel Committee on Banking Supervision

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		(Sound management of risks related to money laundering and financing of terrorism, January, 2014 – in Russian and in English), of International Association of Insurance Supervisors (Application paper on combating money laundering and financing of terrorism, October, 2013 – in Russian and in English), of IOSCO (Anti-money laundering guidance for collective investment schemes, October, 2005 – in English), as well as typologies reports of EAG and FATF.
	2. Supervisory authorities have issued no guidelines describing ML/TF methods and techniques	In January, 2015, the Committee, jointly with the National Bank of the Republic of Kazakhstan, developed and approved the following regulatory legal acts: 1. Joint decree of the Ministry of Finance of the Republic of Kazakhstan No. 49 dated January 23, 2015 and the Chairman of the National Bank of the Republic of Kazakhstan No. 75 dated February 6, 2015 *About Approval of Methods of Monitoring and Financial Analysis of Shadow Money Laundering Schemes Involving Securities Market and Electronic Money Systems*; Order of the Ministry of Finance of the Republic of Kazakhstan dated January 23, 2015 *About Approval of Methods of Monitoring and Financial Analysis of Shadow Money Laundering Schemes Involving Non-Bank Financial Institutions.*
29. Supervisory authorities	1. Detection and prevention of AML/CFT violations are missing in the list of purposes of the conducted inspections in the Law *On Government Regulation and Supervision of the Financial Market and Financial Organisations* (Art.9, Cl.2)	According to Clause 2-1, Article 9 of Law *On Government Regulation and Supervision of the Financial Market and Financial Organisations*, an **authorized body shall exercise supervision of compliance by financial organizations** and the National Mail Operator with the Republic of Kazakhstan **legislation in the sphere of combating legalization (laundering) of criminal proceeds and financing of terrorism** pertaining to recording, storage, and providing information on money transactions and (or) other assets subject to financial monitoring, due diligence measures in respect to customers (their representatives) and beneficial owners, suspending and rejecting transactions subject to financial monitoring, protecting documents obtained in the course of business activities, and it shall also exercise supervision over the arrangement and implementation of internal control pursuant to the Republic of Kazakhstan legislation.

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		Pursuant to Article 9, Clause 2-2 of Law *On Government Regulation and Supervision of the Financial Market and Financial Organisations*, the authorized body is entitled to have its representative in banks, bank holdings managing investment funds, insurance (reinsurance) organizations, insurance holdings (further - representative), for the purposes of exercising supervisory functions. Pursuant to Sub-Clause 56), Clause 1 of Appendix to Law No. 377-IV of the Republic of Kazakhstan *About the State Control and Supervision in the Republic of Kazakhstan* dated January 6, 2011, the compliance with the Republic of Kazakhstan legislation on combating legalization (laundering) of criminal proceeds and financing of terrorism is subject to state control. The said law regulates all issues of arranging monitoring and supervision over the inspected entities subject to financial monitoring, regardless of their legal status, form of ownership and types of activities, and determines uniform principles of monitoring and supervisory activities in the country.
	2. Supervisory authorities themselves cannot consider and implement compulsory measures or sanctions pursuant to Article 168-3 of the Administrative Offences Code	Subject to Article 684 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, judges of specialized district courts and equivalent administrative courts shall examine administrative offence cases stipulated by Art.214. According to Clause 1, Article 804 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, officials of the following organizations are empowered to draw up protocols on administrative offences: authorized body in the gambling sector; authorities of the Ministry of Finance of the Republic of Kazakhstan; institutions of justice; authorized body in the sphere of trading activities regulation;

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		authorized body in the sphere of postage services. According to Clause 2, Article 804 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, authorized officials of the National Bank of the Republic of Kazakhstan are also empowered to draw up protocols on administrative offences examined by courts subject to 214 (the first, the second, the third, and the fourth part). According to Sub-Clause 3) of Article 10 of Law of the Republic of Kazakhstan *On Government Regulation and Supervision of the Financial Market and Financial Organisations*, for the purpose of state regulation, control, and supervision of activities of financial organizations, the authorized body shall establish the procedure for issuing, suspending, and revoking licences for the performance of professional activities in the financial market in the cases specified by legislative acts of the Republic of Kazakhstan on permissions and notifications, and issue, suspend, and revoke the said licences. Moreover, according to Article 724 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, the National Bank of the Republic of Kazakhstan shall have powers to consider the administrative offence cases stipulated by Article 215 (*Violation of the Order for Formation of the System of Risk Management and Internal Control*) and Article 227 of the Code (*Failure to Comply, Untimely Compliance with the Obligations Undertaken and (or) Assigned by the Use of Limited Interventions*). According to Clause 1, Article 46 of Law No. 2444 of the Republic of Kazakhstan *On Banks and Banking Activities in the Republic of Kazakhstan* dated August 31, 1995, in the event that an authorized body detects violations of prudential standards and other mandatory standards and limits, violations of legislation of the Republic of Kazakhstan, detects wrongful acts or omissions of officials and employees of a bank, which may endanger its financial security and stability, as well as the interests of its depositors, clients, and correspondents, as well as non-compliance with other requirements of the authorized

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		body under this Act, the authorized body may apply to the bank one of the following limited interventions: a) Require a letter of commitment; b) Draw up a written agreement with the bank; c) Issue a written warning; d) Give a binding written order. Also, according to Clause 8, Article 46 of Law No. 2444 of the Republic of Kazakhstan *On Banks and Banking Activities in the Republic of Kazakhstan* dated August 31, 1995, measures presented in the said Article may apply to a bank holding company, organizations-members of a banking conglomerate, large bank participants, organizations performing certain banking operations in the cases of their violation of legislative requirements of the Republic of Kazakhstan, including cases when the signs of financial uncertainty emerge after the organization has acquired the status of a bank holding company or a large bank participant, and if the authorized body finds that a violation, wrongful acts or omissions of the officials or employees have worsened the financial condition of the bank, or the banking conglomerate, or the organization performing certain banking operations. Moreover, Article 47 of Law No. 2444 of the Republic of Kazakhstan *On Banks and Banking Activities in the Republic of Kazakhstan* dated August 31, 1995 states that the authorized body (the National Bank) may impose sanctions against the bank, bank holding company, organizations-members of the banking conglomerate, large bank participants, regardless of interventions previously applied to them.
	3. The Ministry of Communications is not empowered to control the compliance by mail operators with the AML/CTF legislation	According to Article 4 of Law of the Republic of Kazakhstan *On Post*, mail operators may carry out the following activities and provide the following services: 3) - Postage services; 4) - Financial activity and financial services.

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		According to Sub-Clause 48), Article 1 of Law of the Republic of Kazakhstan *On Post*, financial activity and financial services for the purpose of this Law are activity and services carried out and provided by **the National Mail Operator** in the financial market according to the procedure established by the legislation of the Republic of Kazakhstan. Law No. 206-V of the Republic of Kazakhstan introduced amendments to Article 6 of Law *On Post*, according to which **the National Bank of the Republic of Kazakhstan shall exercise supervision** of compliance by the National Mail Operator with the Republic of Kazakhstan legislation in the sphere of combating legalization (laundering) of criminal proceeds and financing of terrorism when **it performs its financial activity and provides financial services**. According to Article 9 of Law of the Republic of Kazakhstan *On Government Regulation and Supervision of the Financial Market and Financial Organisations*, Clause 2-1 shall read as follows: "2-1. An authorized body shall exercise supervision of **compliance by financial organizations and the National Mail Operator with the Republic of Kazakhstan legislation in the sphere of combating legalization (laundering) of criminal proceeds and financing of terrorism** pertaining to recording, storage, and providing information on money transactions and (or) other assets subject to financial monitoring, due diligence measures in respect to customers (their representatives) and beneficial owners, suspending and rejecting transactions subject to financial monitoring, protecting documents obtained in the course of business activities, **and it shall also exercise supervision over the arrangement and implementation of internal control** pursuant to the Republic of Kazakhstan legislation.

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	4. Competent authorities (the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Institutions, the National Bank) have made no requests to the supervised authorities concerning information about the implementation of national AML/CTF legislation. Competent authorities have taken no steps to analyse the measures carried out by financial organizations to fulfil the requirements of national AML/CTF legislation.	In 2013, the National Bank of the Republic of Kazakhstan interviewed regulated banks and other financial organizations to analyse the current situation in the sphere of AML/CTF and preparedness to the implementation of new AML/CTF statutory regulations. The questions were grouped by 10 sections (internal organization; detection of ML/FT risk; internal control rules (programs) in the sphere of AML/CTF; identification and verification; inspection and sending reports (reporting); employee check (screening); training; compliance and audit; record keeping; correspondent relations), and the banks had to evaluate the level of compliance in each section by themselves. The interview results revealed the following areas of the most concern: 1) Detection of ML/FT risk (because of absence of the requirement in the legislation as to the implementation of risk-oriented approach when working with clients and rendering services); 2) Identification and verification (because of absence of the requirement in the legislation as to revealing beneficial owners and verification credibility of information provided by the client or its representative); 3) Employee check (screening) (because of absence of the requirement in the legislation as to checking employees with the consideration of ML/FT risk evaluation, depending on the position held). The results of the interview were taken into account when elaborating the Law of the Republic of Kazakhstan as well as the Rules for Formation of the System of Risk Management and Internal Control for regulated banks, approved by Resolution No. 9 of the Board of the National Bank of the Republic of Kazakhstan dated February 26, 2014.

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		Moreover, from 01.01.2012 till 01.01.2014, as part of scheduled inspections conducted by the Committee for Regulation and Supervision of the Financial Market and Financial Institutions of the National Bank of the Republic of Kazakhstan, availability of internal regulations, procedures, automated systems was checked for the following entities subject to financial monitoring, as well as the compliance of the said regulations, procedures, and systems with the AML/CTF legislative requirements of the Republic of Kazakhstan: 17 regulated banks (further - RBs); 4 organizations performing certain banking operations (further - OPCBO); 16 entities of the securities market subject to financial monitoring (further - ESM); 18 insurance companies (further - ICs). According to the results of the inspections and based on the Guidelines to Inspect Availability of Internal Documents, Procedures, Automated Systems of Financial Organizations and Their Compliance with the AML/CTF Legislative Requirements of the Republic of Kazakhstan, the following risk levels were assigned as of 01.01.2014: • 3 ICs were assigned “low” level of risk; • 2 RBs, 3 ESM and 6 ICs were assigned “below average” level of risk; • 9 RBs, 4 OPCBO, 2 ESM and 2 ICs were assigned “average” level of risk; • 3 RBs were assigned “above average” level of risk; • 3 RBs, 1 ESM were assigned “high” level of risk. Based on the results of the conducted inspections, the following recommendations have been given to financial institutions:

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		1. 11 RBs - to check whether transactions conducted after the effective date of the AML/CTF Law exceed thresholds, and if such transactions are detected, to submit the relevant reports to the Committee. 2. To automatize in the shortest possible time the system (process) of identification and sending to the Committee information about transactions subject to financial monitoring and suspicious transactions. 3. To revise the organization of internal control in the department responsible for AML/CTF. 4. Internal audit departments - to check on a regular basis if entities subject to financial monitoring fulfil the AML/CTF legislative requirements of the Republic of Kazakhstan. 5. To regulate or to describe in detail the mechanisms and procedures of detection of transactions subject to financial monitoring and suspicious transactions, and to make provisions in the internal documents for cooperation of structural subdivisions involved in AML/CTF. Moreover, to update their internal regulations on a regular basis. 6. To intensify employee training in the sphere of AML/CTF, since current work aimed at professional development of employees of entities subject to financial monitoring does not comply with the internal requirements and the rate of development of AML/CTF legislation. 7. Based on the Automated Bank Information System, to develop client gradation system according to risk degrees and other indicators in order to minimize the risk of laundering illegally gained proceeds and financing of terrorism.

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		8. If necessary, after consulting the Committee, to integrate the System of Collecting Data of Financial Transactions with the Automated Bank Information System in full in order to ensure quality and uninterrupted submission of information to the Committee and due control by the internal control and internal audit departments as well as by external regulators (the quantity of reports sent to the Committee by 3 entities subject to financial monitoring exceeds 100 thousand transactions).
	5. No experience in conducting inspections of financial institutions in the sphere of AML/CTF	*The quantity of financial institutions inspected during the reporting period is 669. Fines have been imposed in the total amount of 37,209 th. tenge, that is, over 200,000 US dollars.* *Conducted inspections statistics for different financial organizations is presented in Table 6.*
	6. Supervisory authorities are unable to apply penalties directly to reporting financial institutions	Entities subject to financial monitoring bear administrative liability stipulated by Article 214 of the Administrative Offences Code of the Republic of Kazakhstan dated July 5, 2014 for failure to observe AML/CTF legislation of the Republic of Kazakhstan. Subject to Article 684 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, judges of specialized district courts and equivalent administrative courts shall examine administrative offence cases, including those stipulated by Art.214. Clause 1, Article 804 of the Administrative Offences Code of the Republic of Kazakhstan of 2014 lists officials empowered to draw up protocols on administrative offences: authorized body in the gambling sector; authorities of the Ministry of Finance of the Republic of Kazakhstan (when these offences have been conducted by auditors, audit companies); institutions of justice; authorized body in the sphere of trading activities regulation (when these offences have been conducted by exchange brokers and (or)

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		exchange dealers as well as stock exchange employees); authorized body in the sphere of postage services. Also, according to Clause 2 of this Article, authorized officials of the National Bank of the Republic of Kazakhstan are also empowered to draw up protocols on administrative offences (subject to the first, the second, the third, and the fourth part of Art.214). According to Sub-Clause 10) of Article 10 of Law No.474 of the Republic of Kazakhstan *On Government Regulation and Supervision of the Financial Market and Financial Organisations* dated July 4, 2003, the authorized body (the National Bank) shall take decisions on revocation of licences for the performance of all or certain transactions specified by the banking legislation of the Republic of Kazakhstan, and appoint temporary administration (a temporary administrator). Moreover, according to Article 724 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, the National Bank of the Republic of Kazakhstan shall have powers to consider the administrative offence cases stipulated by Article 215 (*Violation of the Order for Formation of the System of Risk Management and Internal Control*) and Article 227 of the Code (*Failure to Comply, Untimely Compliance with the Obligations Undertaken and (or) Assigned by the Use of Limited Interventions*). According to Clause 1, Article 46 of Law No. 2444 of the Republic of Kazakhstan *On Banks and Banking Activities in the Republic of Kazakhstan* dated August 31, 1995, in the event that an authorized body detects violations of prudential standards and other mandatory standards and limits, violations of legislation of the Republic of Kazakhstan, detects wrongful acts or omissions of officials and employees of a bank, which may endanger its financial security and stability, as well as the interests of its depositors, clients, and correspondents, as well as non-compliance with other requirements of the authorized

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		body under this Act, the authorized body may apply to the bank one of the following limited interventions: a) Require a letter of commitment; b) Draw up a written agreement with the bank; c) Issue a written warning; d) Give a binding written order. Also, according to Clause 8, Article 46 of Law No. 2444 of the Republic of Kazakhstan *On Banks and Banking Activities in the Republic of Kazakhstan* dated August 31, 1995, measures presented in the said Article may apply to a bank holding company, organizations-members of a banking conglomerate, large bank participants, organizations performing certain banking operations in the cases of their violation of legislative requirements of the Republic of Kazakhstan, including cases when the signs of financial uncertainty emerge after the organization has acquired the status of a bank holding company or a large bank participant, and if the authorized body finds that a violation, wrongful acts or omissions of the officials or employees have worsened the financial condition of the bank, or the banking conglomerate, or the organization performing certain banking operations. Moreover, Article 47 of Law No. 2444 of the Republic of Kazakhstan *On Banks and Banking Activities in the Republic of Kazakhstan* dated August 31, 1995 states that the authorized body (the National Bank) may impose sanctions against the bank, bank holding company, organizations-members of the banking conglomerate, large bank participants, regardless of interventions previously applied to them.
	7. Law of the Republic of Kazakhstan *On Post* does not stipulate AML/CFT powers of the Ministry of Communications as well as powers to conduct inspections, to implement AML/CFT sanctions and	Subject to Article 684 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, judges of specialized district courts and equivalent administrative courts shall examine administrative offence cases, including those stipulated by Art.214. According to Clause 1, Article 804 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, officials of the following organizations are empowered to draw up protocols on administrative offences: authorized body in the gambling sector;

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	to carry out other functions, according to the FATF Recommendations	authorities of the Ministry of Finance of the Republic of Kazakhstan (when these offences have been conducted by auditors, audit companies); institutions of justice; authorized body in the sphere of trading activities regulation (when these offences have been conducted by exchange brokers and (or) exchange dealers as well as stock exchange employees); **authorized body in the sphere of postage services**. According to Clause 2, Article 804 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, authorized officials of the National Bank of the Republic of Kazakhstan are also empowered to draw up protocols on administrative offences examined by courts subject to 214 (the first, the second, the third, and the fourth part). According to Sub-Clause 3) of Article 10 of Law of the Republic of Kazakhstan *On Government Regulation and Supervision of the Financial Market and Financial Organisations* of the Republic of Kazakhstan, for the purpose of state regulation, control, and supervision of activities of financial organizations, the authorized body shall establish the procedure for issuing, suspending, and revoking licences for the performance of professional activities in the financial market in the cases specified by legislative acts of the Republic of Kazakhstan on permissions and notifications, and issue, suspend, and revoke the said licences. According to Article 4 of Law of the Republic of Kazakhstan *On Post*, mail operators may carry out the following activities and provide the following services: 5) - Postage services; 6) - Financial activity and financial services. According to Sub-Clause 48), Article 1 of Law of the Republic of Kazakhstan *On Post*, financial activity and financial services for the purpose of this Law are activity and services

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		carried out and provided by **the National Mail Operator** in the financial market according to the procedure established by the legislation of the Republic of Kazakhstan. Law No. 206-V of the Republic of Kazakhstan introduced amendments to Article 6 of Law *On Post*, according to which **the National Bank of the Republic of Kazakhstan shall exercise supervision** of compliance by the National Mail Operator with the Republic of Kazakhstan legislation in the sphere of combating legalization (laundering) of criminal proceeds and financing of terrorism when **it performs its financial activity and provides financial services**. According to Article 9 of Law of the Republic of Kazakhstan *On Government Regulation and Supervision of the Financial Market and Financial Organisations*, Clause 2-1 shall read as follows: "2-1. An authorized body shall exercise supervision of **compliance by financial organizations and the National Mail Operator with the Republic of Kazakhstan legislation in the sphere of combating legalization (laundering) of criminal proceeds and financing of terrorism** pertaining to recording, storage, and providing information on money transactions and (or) other assets subject to financial monitoring, due diligence measures in respect to customers (their representatives) and beneficial owners, suspending and rejecting transactions subject to financial monitoring, protecting documents obtained in the course of business activities, **and it shall also exercise supervision over the arrangement and implementation of internal control** pursuant to the Republic of Kazakhstan legislation.
	8. Law *On Post* does not stipulate powers of the Ministry of Communications to receive the	**According to Law No. 377-IV of the Republic of Kazakhstan *About the State Control and Supervision in the Republic of Kazakhstan* dated January 6, 2011, the control and**

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	necessary data, documents, and information pertaining to monitoring of compliance, or to receive access to them	**supervisory authorities, when conducting an inspection, are empowered to request the necessary information about the subject of the inspection.** Article 26 of the said Law regulates the rights and obligations of officials of state authorities when carrying out of control and supervision. According to Sub-Clause 2), Clause 1, Article 26 of Law of the Republic of Kazakhstan *About the State Control and Supervision in the Republic of Kazakhstan*, officials of state authorities, when carrying out of control and supervision of the inspected entities subject to financial monitoring, **have the right to receive documents (information) in hard copy and electronic format or their copies** for attachment to the inspection results act, as well as **access to automated data bases (information systems)** in accordance with the objectives and the subject of the inspection. Also, Law of 2015 introduced amendments to Article 462 and Article 804 of the Administrative Offences Code of the Republic of Kazakhstan of 2014, according to which state regulatory authorities have the right to draw up protocols on administrative offences for failure to observe the requirements of the FIU and supervisory authorities.
	9. No experience in conducting supervision of mail operators in the sphere of AML/CTF	
	10. Due to failure of representatives of the Republic of Kazakhstan to provide regulatory framework which stipulates on-site inspections, prescriptions to submit the necessary documents, and implementation of other functions	According to Article 4 of Law of the Republic of Kazakhstan *On Post*, mail operators may carry out the following activities and provide the following services: 1) **Postage services;** 2) Financial activity and financial services. AML/CFT Law of the Republic of Kazakhstan of 2014 introduced amendments to Article 6 of Law *On Post*, according to which the National Bank of the Republic of Kazakhstan

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	pursuant of the FATF Recommendations, it turns to be impossible to evaluate the Ministry of Communications' system of supervision over mail operator activities pertaining to money transfers	shall exercise supervision of compliance by the National Mail Operator with the Republic of Kazakhstan legislation in the sphere of combating legalization (laundering) of criminal proceeds and financing of terrorism when **it performs its financial activity and provides financial services**. The authorized body shall exercise supervision of compliance by the National Mail Operator with the Republic of Kazakhstan legislation in the sphere of combating legalization (laundering) of criminal proceeds and financing of terrorism **when it caries out postal money transfers**. **The authorized body is the body in the field of postal service (the Committee of Communications, Informatization and Information of the Ministry on Investments and Development of the Republic of Kazakhstan), implementing state policy in the field of postal service, state control, coordination, and regulation of activities of mail operators within the limits of its competence.** AML/CFT Law of the Republic of Kazakhstan of 2014 introduced amendments to Article 1 of Law of the Republic of Kazakhstan *About Payments and Money Transfers*, according to which the Law *About Payments and Money Transfers* regulates relations arising in case of implementation of payments and money transfers in the Republic of Kazakhstan, except the relations connected with implementation of postal money transfers. According to Sub-Clause 4), Clause 2, Article 4 of Law of the Republic of Kazakhstan *On Post*, postage services include postal money transfers. According to Sub-Clause 32), Article 1 of Law *On Post*, postal money transfer is the service of sending money using postal network and other communications, with filling of standard form approved by the authorised body in the field of postal service.

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		In this connection, activities of JSC Kazpochta pertaining to transfer operations as a type of banking activities in the form of money transfers involving bank accounts, to which JSC Kazpochta is empowered, as well as money transfers without using bank accounts - as a money transfer agent (Western Union, etc.), are covered by payment and money transfer legislation (Law of the Republic of Kazakhstan *About Payments and Money Transfers* and Resolution No. 179 of the Board of the National Bank of the Republic of Kazakhstan dated April 25, 2000 and No. 395 dated October 13, 2000). The National Bank of the Republic of Kazakhstan supervises the compliance with these laws. In its turn, activities of JSC Kazpochta pertaining to postal money transfers, that is, money transfers without using bank accounts - through postal network, not as a money transfer agent - are regulated by postage service legislation (Law of the Republic of Kazakhstan *On Post* and Order No. 72 of the Government of the Republic of Kazakhstan *About Approval of Rules of Provision of Postage Services and Rules of Application of Postmarks on Mailings* dated January 16, 2012). The Committee of Communications, Informatization and Information of the Ministry on Investments and Development of the Republic of Kazakhstan supervises the compliance with these laws. Moreover, as mentioned above, the Requirements for AML/CFT Internal Control Rules for regulated banks and the National Mail Operator were approved by joint Order of the Ministry of Finance of the Republic of Kazakhstan No. 521 dated November 26, 2014 and Resolution No. 235 of the Board of the National Bank of the Republic of Kazakhstan dated November 26, 2014; the said Requirements cover financial activities of JSC Kazpochta. In its turn, the Requirements for AML/CFT Internal Control Rules for mail operators providing money transfer services were approved by joint Order of the Ministry of Finance of the Republic of Kazakhstan No. 499 dated November 19, 2014 and Order No. 182 of the Minister of Investments and Development of the Republic of Kazakhstan dated November 25, 2014; the said

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		Requirements cover postal money transfers carried out by mail operators, including JSC Kazpochta. Moreover, according to Law No. 206-V, a provision has been included into Article 636 of the Administrative Offences Code dated January 30, 2001 which empowers the authorized body in the sphere of postage services to draw up protocols on administrative offences pursuant to Article 168-3 of the Administrative Offences Code of 2001 (Article 214 of the Administrative Offences Code of 2014). Similar provision as been included into Article 804 of the Administrative Offences Code of 2014. According to Clause 2-1, Article 9 of Law *On Government Regulation and Supervision of the Financial Market and Financial Organisations,* an authorized body shall exercise supervision of compliance by financial organizations and **the National Mail Operator with the Republic of Kazakhstan legislation in the sphere of combating legalization (laundering) of criminal proceeds and financing of terrorism** pertaining to recording, storage, and providing information on money transactions and (or) other assets subject to financial monitoring, due diligence measures in respect to customers (their representatives) and beneficial owners, suspending and rejecting transactions subject to financial monitoring, protecting documents obtained in the course of business activities, and it shall also exercise supervision over the arrangement and implementation of internal control pursuant to the Republic of Kazakhstan legislation. **According to Law No. 377-IV of the Republic of Kazakhstan *About the State Control and Supervision in the Republic of Kazakhstan* dated January 6, 2011, the control and**

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		supervisory authorities, when conducting an inspection, are empowered to request the necessary information about the subject of the inspection. **Article 26 of the said Law regulates the rights and obligations of officials of state authorities when carrying out of control and supervision. According to Sub-Clause 2), Clause 1, Article 26 of Law of the Republic of Kazakhstan *About the State Control and Supervision in the Republic of Kazakhstan*, officials of state authorities, when carrying out of control and supervision of the inspected entities subject to financial monitoring, have the right to receive documents (information) in hard copy and electronic format or their copies for attachment to the inspection results act, as well as access to automated data bases (information systems) in accordance with the objectives and the subject of the inspection.**
30. Resources, Bona Fides, and Training	1. No supervisory authorities have specialized units engaged in AML/CFT	According to Decree No.61 of the President of the Republic of Kazakhstan dated April 18, 2011 *On Some Issues Concerning the National Bank of the Republic of Kazakhstan*, the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Institutions has been abolished, and its responsibilities has been delegated to the National Bank of the Republic of Kazakhstan. The Committee for Regulation and Supervision of the Financial Market and Financial Institutions has been established within the structure of the National Bank of the Republic of Kazakhstan (CRS NB RK). In July, 2014, CRS NB RK was liquidated, and new supervisory departments were created within the structure of the National Bank of the Republic of Kazakhstan, including Banking Supervision Department (BSD), Department for Supervision over Insurance Market Entities Subject to Financial Monitoring (DSIME), Department for Supervision

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		over Securities Market Entities Subject to Financial Monitoring (DSSME), and Financial Organisations Inspection Department (FOID). In its turn, five directorates have been created as part of the Financial Organisations Inspection Department: Directorates No. 1 and No. 2 inspect regulated banks and organizations performing certain banking operations; Directorate No. 3 inspects entities subject to financial monitoring and pension savings banks of the insurance market; Directorate No. 4 inspects insurance companies and brokers; Directorate No. 5 inspects all financial organizations in respect of information technologies. Inspection of compliance with the AML/CFT legislation also falls within the competence of Directorates Nos. 1-4 of the Financial Organisations Inspection Department. Directorate No. 5 is involved in the relevant inspections in the sphere of AML/CFT, if necessary. Directorate for Combating Money Laundering and Terrorist Financing functions at the National Bank of the Republic of Kazakhstan as part of the Control and Supervision Methodology Department since February, 2013; the Directorate has regulatory and methodological functions in matters of AML/CFT. AML/CFT implementation (control and supervisory) functions in relation to financial organizations are carried out by supervisory departments of the National Bank of the Republic of Kazakhstan, including BSD, DSIME, DSSME, FOID, the Department of Balance of Payments, Currency Regulation and Statistics, as well as territorial branches of the National Bank of the Republic of Kazakhstan (for non-bank currency exchange offices and microfinance organizations).

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	2. There are no special departments (directorates) for investigation of ML/TF offences in the Prosecutor's Office, Agency and the NSC	There is a structural subdivision - Special Prosecutor's Department - in the General Prosecutor's Office of the Republic of Kazakhstan. Special Prosecutor's Departments also exist at the territorial Prosecutor's Offices (of different regions), and their powers include conducting investigations or management of investigative teams, and the latter may include officers of any authority. Special Prosecutors investigate complex and high-profile criminal cases, including cases involving ML/TF offences. A specialized department has been created and is functioning at the Central Office of the General Prosecutor's Office of the Republic of Kazakhstan which supervises legitimacy of field investigation activities in the sphere of fight with extremism and terrorism. There is a department within the NSC structure which investigates all crimes falling within its jurisdiction. According to Article 192 of the Criminal Procedural Code of the Republic of Kazakhstan, terrorist financing crimes are within jurisdiction of the national security bodies. The Central Office of the Ministry of Internal Affairs has subdivisions engaged in the fight against extremism, organized crime, and drug dealing. These services have territorial subdivisions at the local level. The subdivision engaged in the fight against extremism is entrusted with countering manifestations of extremism and terrorism, including detecting extremism and terrorism funding sources.

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		Subdivisions engaged in the fight against organized crime reveal fraudulent entrepreneurship and violations in gambling business, detect funding sources of organized criminal groups and gangs. The subdivision engaged in the fight against drug dealing, along with detecting drug-related crimes, implements measures to identify and confiscate money and other assets gained from drug dealing.
	3. Low level of training of investigators, prosecutors, and judges which investigate and examine ML- and TF-related cases	One of the effective measures to increase professional level of judicial authorities is continuous judicial education. Work in this direction is conducted in accordance with the Judicial Education Strategy for 2012-2016 approved by Instruction of the Chairman of the Supreme Court dated February 3, 2012, and in cooperation with the Academy of Public Administration under the President of the Republic of Kazakhstan. Plan of instruction of the refresher courses for judges and judiciary staff includes lectures and workshops on issues arising during hearings of cases related to terrorism, economic crimes, infliction of penalty for smuggling, fraudulent entrepreneurship, etc. The Supreme Court of the Republic of Kazakhstan jointly with the Academy of Public Administration under the President of the Republic of Kazakhstan (further - the Academy) conduct permanent work to increase efficiency of judicial education and qualification of judges and judiciary staff. Thus, the following lectures for judges have been conducted as part of the refresher courses for judges at the Institution of Justice of the Academy: “Court Practice of Examining Criminal Cases Regarding Economic Crimes”, “Urgent Issues of Countering Religious Extremism and Terrorism”, “Main Aspects of International Activities in Regard to Combating Extremism and Terrorism”.

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		Moreover, in May of the current year, during video conference with regional and equivalent courts, a judge of the Supreme Court of the Republic of Kazakhstan conducted video lecture "Economic Smuggling and Legalization of Illegally Gained Assets" with the participation of judges of regional, district and equivalent courts. According to the assignment of the state head issued on December 14, 2012 in the Message to the people of Kazakhstan *Kazakhstan 2050 Strategy: New Political Course of the Established State*, State Program of Countering Religious Extremism and Terrorism for 2013 - 2017 has been developed and approved by the Decree of the President of the Republic of Kazakhstan (Decree No. 648 of the President of September 24, 2013). Clause 51 of the Plan of Activities to implement the State Program stipulates conducting interdepartmental courses with the use of foreign successful practices aimed at increasing knowledge of the state authorities' staff involved in countering extremism and terrorism, including with possible participation of relevant experts. Taking into account limited investigative practice in criminal cases of this category, law enforcement authorities conduct additional workshops and refresher courses, including with the participation of representatives of foreign defence and law enforcement agencies, international experts in the sphere of combating legalization of proceeds from crime and financing of terrorism. Regular academic courses are held at the Financial Police Academy under the Agency of the Republic of Kazakhstan on Fight Against Economic and Corruption Crimes to improve professional level of the financial police staff, with the involvement of foreign specialists. During the period from June 2011 till February 2013, 93 employees had taken part in workshops, including international ones on the issues of application of analytical programs to analyze data on financial operations and transactions, informational safety, detection, seizure,

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		and confiscation of criminal assets, investigation and criminal prosecution of corruption-related offences such as bribery and illicit enrichment, as well as liability of legal entities. Employees of the Agency of the Republic of Kazakhstan on Fight Against Economic and Corruption Crimes have participated in working group meeting on the following issues: - Interaction and cooperation in the fight against transnational organised crime, economic crimes and corruption, self-evaluation of states - parties to the Convention against Corruption under the mechanism for the review of the implementation of the Convention, to prevent corruption, and the 6-th meeting of the Open-Ended Intergovernmental Working Group on Asset Recovery. Officers of the National Security Committee the Republic of Kazakhstan have taken part in the AML/CFT workshop conducted under the guidance of the OSCE. Officials of the Ministry of Internal Affairs have taken part in training workshops concerning issues of terrorism and security which examined countering sources of terrorism financing and criminally gained income laundering. Training abroad in the SCO countries: In 2012, on the basis of the Shandong Police Academy (Shandong city) and the Xinjiang Police Academy (Urumqi city), 20 employees of subdivisions engaged in the fight against extremism of the Ministry of Internal Affairs underwent training on the subject “Fight Against Terrorism and Extremism". In May and September, 2013, 5 police officers received training at the Xinjiang Police Academy (Urumqi city). In June-July 2015, 5 officers of the Ministry of Internal Affairs will take part in the

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		workshop on the fight against terrorism in the SCO on the basis of the Xinjiang Police Academy (Urumqi city). In 2013, 16 officers of the internal affairs bodies of the Republic of Kazakhstan received training in countering terrorism and extremism on the basis of educational establishments of the Russian Federation. In 2014, 8 employees underwent training on the basis of All-Russian Advanced Training Institute of the Ministry of the Interior of the Russian Federation (RATI MIA) (Moscow city): - From October 7 till October 17 - 3 employees participated in the refresher course on topic "Organization of Field Work to Combat Terrorism and Extremism"; **Training of the staff of the Department of Internal Affairs in the Republic of Turkey.** Issues of education and advanced training of the staff of the Department of Internal Affairs are governed by Article 2 of effective Agreement between the Government of the Republic of Kazakhstan and the Government of the Republic of Turkey on Cooperation in the Fight Against International Terrorist Activities, Organized Crime, Illicit Trafficking of Narcotic Drugs, Psychotropic Substances, Analogues, Precursors, and Other Crimes dated May 26, 2005. **Year 2012** From July 9 till July 13, as part of TADOC, Ankara city, a course was conducted on the basis of International Academy Against Drugs and Organized Crime - 14 employees; From May 7 till May 11, Ankara city (Turkey), as part of project of the NATO-Russian Federation Council "Counter-Narcotics Training of Central Asian, Afghan and

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		Pakistani Law Enforcement Personnel" on the basis of Turkish International Academy Against Drugs and Organized Crime (TADOC) - 1 employee. IN TOTAL, 44 employees received training in 2012. In **2013**, 3 courses were conducted in the Republic of Turkey: - Intelligence Service on the Fight Against Terrorism - from May 27 till June 2 - 10 employees; - Advanced Training of Police Staff Instructors - June 10-21 - 10 persons; - Terrorist Crime Investigation Process - Investigation, Interrogation, Evidence - September 2-8 - 10 employees. Also, workshops and courses have been conducted in the Republic of Turkey as part of the NATO-Russian Federation program, as well as under the guidance of TADOC. - Workshop on fight against drug business had been conducted in Ankara from March 4 till March 8 - 2 employees of the Department of Internal Affairs (TADOC). - From April 1 till April 5, Ankara city, courses on fight against drug business - 1 employee (NATO-Russian Federation). - From April 1 till April 5, Ankara city, United Nations Office on Drugs and Crime, courses on countering narcotics and organized crime - 4 employees (TADOC). Moreover, as part of bilateral cooperation, trainings have been conducted in the Republic of Turkey with the participation of experts on the basis of educational establishments of the Ministry of Internal Affairs of Kazakhstan. - Karaganda Academy of the Ministry of Internal Affairs, April 8-20, Intelligence Service on the Fight Against Organized Crime"- 12 employees. In **2014**, 74 employees underwent training, the following events were held: **In the Republic of Turkey:** - April 7-13 - Methods Used in the Fight Against Terrorism and Practical Training - 10 persons;

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		The General Prosecutor's Office of the Republic of Kazakhstan jointly with the German Fund of International Cooperation (IRZ) conducted workshop on topic "Countering ML in the Banking Sphere" in November 2012, with over 30 participants. Permanent work is conducted to increase efficiency of judicial education and qualification of judges and judiciary staff. Thus, in March of the current year, training workshop-meeting was conducted for newly appointed employees of the relevant Specialized Directorates of territorial Departments on countering religious extremism and terrorism, with the participation of representatives of concerned government bodies and public unions (the General Prosecutor's Office, the NSC, the Ministry of Internal Affairs, the Agency for Religious Affairs, the Financial Monitoring Committee, Spiritual Management of Muslims of Kazakhstan). Moreover, as part of scientific and practical measures concerning the fight against terrorism and other violent manifestations of extremism, 3 training workshops have been conducted since the beginning of this year on the basis of the Financial Police Academy with the participation of representatives of the General Staff of the Turkish National Police, the Federal Bureau of Investigation, USA Embassy, law enforcement authorities of the Republic of Belarus, Moldova, Kyrgyzstan, and Tajikistan.
	4. No information about training of supervisors in AML/CFT supervision technique	During 2011-2012, employees of the National Bank of the Republic of Kazakhstan (the Department of Balance of Payments and Currency Regulation, the Legal Department, territorial branches), the Financial Monitoring Committee of the National Bank of the Republic of Kazakhstan (the Inspection Department, the Department for Supervision over Banks, the Department for Supervision over Financial Organizations, the Regional Representatives Directorate) had taken part:

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		In work meetings to exchange experience in control over compliance with the AML/CFT legislation with representatives of the National Bank of Ukraine and the Central Bank of the Russian Federation; In Kazakh workshops, courses, study courses, trainings in AML/CFT arranged by the Financial Monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan, the General Prosecutor's Office of the Republic of Kazakhstan and supported by the OSCE, the World Bank, including on National Risk Assessment (5 events); In foreign workshops (6 events - Bank of Russia, the Central Bank of Armenia, Bank of France, the Joint Vienna Institute of the International Monetary Fund (JVI IMF) in Viena, Deutsche Bundesbank, Citibank, London). The total number of employees of the National Bank of the Republic of Kazakhstan and the Financial Monitoring Committee of the National Bank of the Republic of Kazakhstan, which had participated in the said events during 2011-2012 amounted to over 25 persons. In 2012, with the assistance of the World Bank, the Guidelines to Inspect Availability of Internal Documents, Procedures, Automated Systems of Financial Organizations and Their Compliance with the AML/CTF Legislative Requirements of the Republic of Kazakhstan were developed and approved by the Chairman of the Financial Monitoring Committee of the National Bank of the Republic of Kazakhstan, which are used at present. In December 2014, the said Guidelines were reviewed and approved by Order No. 581 of the Chairman of the National Bank of the Republic of Kazakhstan dated December 29, 2015. The Inspection Department of the Financial Monitoring Committee of the National

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		Bank of the Republic of Kazakhstan and, later, the Financial Organizations Inspection Department of the National Bank of the Republic of Kazakhstan have conducted internal trainings for the staff of the Department on the inspection technique in accordance with the Guidelines. From May 2013 till May 2014, employees of the National Bank of the Republic of Kazakhstan (the Control and Supervision Methodology Department, the Department of Balance of Payments and Currency Regulation, territorial branches), the Financial Monitoring Committee of the National Bank of the Republic of Kazakhstan (the Inspection Department, the Legal Support Department, the Department for Supervision over Banks) had taken part in the following workshops and work meetings to exchange experience: Kazakh workshops, courses, study courses, trainings in AML/CFT arranged by the Financial Monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan, the General Prosecutor's Office of the Republic of Kazakhstan and supported by the OSCE, the World Bank, the USA Embassy in the Republic of Kazakhstan, including on supervision in the sphere of AML/CFT (7 events); Foreign workshops concerning issues of compliance with the AML/CFT legislation (4 events - Bank of Russia, Deutsche Bundesbank, Federal Deposit Insurance Corporation). The total number of employees of the National Bank of the Republic of Kazakhstan and the Financial Monitoring Committee of the National Bank of the Republic of Kazakhstan, which had participated in the said events, amounted to over 25 persons. From May 2014 till May 2015, employees of the National Bank of the Republic of Kazakhstan (the Control and Supervision Methodology Department, the Inspection Department, the Department of Balance of Payments, Currency Regulation and Statistics,

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		the Legal Support Department) had taken part in the following workshops and work meetings: Kazakh workshops, courses, study courses, trainings in AML/CFT arranged by the Financial Monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan, affiliated organization of the National Bank of the Republic of Kazakhstan "Academy of the Regional Financial Center", jointly with the Financial Technology Transfer Agency of Luxemburg, including on supervision in the sphere of AML/CFT (2 events); Foreign workshops concerning issues of regulation and control over compliance with the AML/CFT legislation (5 events - Bank of Russia, Deutsche Bundesbank, the Joint Vienna Institute of the International Monetary Fund (JVI IMF) in Viena, the National Bank of Poland, EAG/MENAFATF). The total number of employees of the National Bank of the Republic of Kazakhstan which had participated in the said events amounted to 17 persons.
31. National cooperation	1. The approval of interdepartamental statutory acts regulating cooperation in the sphere of AML/CFT lags behind the required pace of development of national AML/CFT system	Order No. 1483 of the Government of the Republic of Kazakhstan dated November 23, 2012 approved the Rules for submission by state authorities of the Republic of Kazakhstan of data of their information systems and resources upon request of an authorized body for financial monitoring. The Ministry of Finance of the Republic of Kazakhstan has signed joint orders on the exchange of information and the transfer of materials related to legalization (laundering) of proceeds from crime and financing of terrorism with designated state and law enforcement authorities of the Republic of Kazakhstan (the General Prosecutor's Office of the Republic of Kazakhstan, the National Security Committee of the Republic of Kazakhstan, the Ministry of Internal Affairs of the Republic of Kazakhstan, the Agency of the Republic of Kazakhstan on Fight Against Economic and Corruption Crimes). Joint order has been signed among the General Prosecutor's Office of the Republic of Kazakhstan, the National Security Committee of the Republic of Kazakhstan, the Agency

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		of the Republic of Kazakhstan on Fight Against Economic and Corruption Crimes, the Ministry of Internal Affairs of the Republic of Kazakhstan, and the Ministry of Finance of the Republic of Kazakhstan *On Approval of Rules of Cooperation in the Exchange and Transfer of Data and Information Related to Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism*. A separate joint order has been signed with the Foreign Intelligence Service of the Republic of Kazakhstan *Syrbar*, the General Prosecutor's Office and the Ministry of Finance *On Approval of Rules of Submission of Data and Information Subject to Financial Monitoring to the Authorized Body in the Sphere of Foreign Intelligence.* In 2013, an Agreement between the Committee and the Tax Committee was concluded on coordination and cooperation in the sphere of AML/CFT and prevention and disruption of evasion from taxes and other obligatory payments to the budget. Due to Order No. 875 of the President of the Republic of Kazakhstan *About reform of system of public administration of the Republic of Kazakhstan* dated August 6, 2014, some state bodies and authorities have been reorganized, particularly, functions and powers of the Tax Committee have been transferred to the newly established State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan. In this connection an agreement between the Financial Monitoring Committee and the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan was concluded in 2015 on coordination and cooperation in the sphere of AML/CFT and in the sphere of prevention, identification, disruption, detection, and investigation of economic and financial crimes and offences. Moreover, the Plan of Joint Actions of the Anti-Corruption Service of the Agency of the Republic of Kazakhstan for Civil Service Issues and Countering Corruption and the

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		Financial Monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan was approved in April, 2015. Work is conducted subject to concluded Agreements on coordination and cooperation in the sphere of AML/CFT with public associations: the Association of Financiers of Kazakhstan, the Republican Notarial Chamber, Public Company "College of Auditors", Public Company "Chamber of Auditors", the Association of Bookmakers and Totalizator, the Association of Microfinance Organizations of the Republic of Kazakhstan, the Chamber of Professional Accountants, the Association of Credit Unions of Agro-Industrial Complex. In connection with the reform of public administration system of the Republic of Kazakhstan of August 2014, the following state bodies engaged in AML/CFT have been created under the Government of the Republic of Kazakhstan: Ministries of National Economy, Culture, and Sports, and functions and powers of the Ministry of Economy and Budget Planning of the Republic of Kazakhstan and the Agency for Sports and Physical Culture have been transferred to them, respectively. In this connection, during the first six months of 2015, the Financial Monitoring Committee is renewing Agreements on cooperation with relevant state regulators, the Ministry of National Economy, the Ministry of Culture and Information. Agreements with the National Bank and the Financial Monitoring Committee of the Ministry of Finance are in effect. Pursuant to Order No. 234 of the Government of the Republic of Kazakhstan dated April 14, 2015, Actions Plan for 2015-2017 has been approved on the implementation of Anti-Corruption Strategy of the Republic of Kazakhstan for 2015-2025 and on countering shadow economy; the Committee is engaged.
	2. It turns to be impossible to evaluate the effectiveness of activities of the Interagency	Permanent Interagency AML/CFT Committee has been created consisting of heads of state bodies, including law enforcement authorities, as well as representatives of entities

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	AML/CFT Committee, since by the date of the inspection only one meeting has been held, and information on its conduction, agenda, the main results and subsequent meeting has not been provided to the assessors	subject to financial monitoring, and public associations. Members of the Interagency Committee: - Participate in the preparation and consideration of draft AML/CFT legal acts; - Ensure cooperation of state bodies, public associations and entities subject to financial monitoring in the sphere of AML/CFT; - Elaborate consistent positions concerning issues of international cooperation in the sphere of AML/CFT; - Introduce suggestions as to enhancement of national AML/CFT system. **On July 8, 2010** the first meeting of the Interagency Committee was held, and the following issues were discussed: goals and objectives of the Interagency Committee, work of the Financial Monitoring Committee (further - the Committee) to implement the provisions of the AML/CFT Law, cooperation of the Committee with state bodies, AML/CFT activities of entities subject to financial monitoring and their public associations. Based on the results of the meeting of the Interagency Committee, the following recommendations have been given: to raise issues falling within the competence of several agencies to the meetings of the Interagency Committee; to intensify work related to providing real-time access to data bases; to provide information subject to financial monitoring pursuant to the AML/CFT Law to entities subject to financial monitoring; for state bodies regulating activities of entities subject to financial monitoring - to provide clarifications concerning the AML/CFT Law. **On September 16, 2010**, the second meeting of the Interagency Committee was held. Based on the results of the meeting, some recommendations have been given pertaining to

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		improving AML/CFT activities. Working group for elaboration of cash-out transactions suspiciousness criteria has been created. The first meeting of the working group for elaboration of cash-out transactions suspiciousness criteria was held in November, 2010, with the participation of representatives of the Committee, state regulators, and entities subject to financial monitoring. **On May 31, 2011**, the third meeting of the Interagency Committee was held. The agenda included consideration and deciding on the first Report on mutual evaluation on anti-money laundering and combating the financing of terrorism in the Republic of Kazakhstan. During the meeting, recommendations have been considered, to which experts of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) have assigned certain ratings. **On April 4, 2014** the next meeting of the Interagency Committee was held; during the meeting issues were considered concerning the preparation of actions to defend the Second Progress Report of Kazakhstan at the EAG Plenary and the creation of expert group. **On August 1, 2014** the next meeting of the Interagency Committee was arranged. Based on its results, the decision has been taken to elaborate the Comprehensive Plan for 2014-2015 to implement the results of the Mutual Evaluation Report. In September, the Plan was submitted for consideration to the Minister of Finance.
32. Statistics	1. Due to absence of statistics, it is impossible to evaluate efficiency of work of some law enforcement agencies	During the reporting period, law enforcement agencies have investigated over 200 sets of materials. Statistics for different periods is presented in Table 3.

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	2. Supervisory authorities have taken no measures to analyze AML/CFT situation in the supervised organizations, in particular, concerning maintaining statistics	AML/CFT Law No. 206-V supplemented Clause 3 of Article 12 of Law of the Republic of Kazakhstan No. 510 *About the State Legal Statistics and Special Accounting* dated December 22, 2003, as follows: "The authorized body shall maintain the following types of special accounting: 16) Persons held liable for legalization (laundering) of illegally gained money and (or) other assets and the financing of terrorism; 17) Amounts of confiscated assets related to legalization (laundering) of illegally gained money and (or) other assets and the financing of terrorism; 18) Mutual legal assistance and other international requests related to legalization (laundering) of illegally gained money and (or) other assets and the financing of terrorism." In January 2015, the General Prosecutor of the Republic of Kazakhstan approved Order *About Maintaining Special Accounting Related to Legalization (Laundering) of Illegally Gained Money and (or) Other Assets and the Financing of Terrorism*, stipulating the following forms of accounting: 1) Information about persons held liable for legalization (laundering) of money and the financing of terrorism; 2) Information about amounts of confiscated assets related to legalization (laundering) of illegally gained money and (or) other assets and the financing of terrorism; 3) Information about mutual legal assistance and other international requests related to legalization (laundering) of illegally gained money and (or) other assets and the financing of terrorism.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	3. No statistics about the amount of assets frozen pursuant to UNSC Resolutions	TO BE INSERTED FROM TABLE 3 (f3)
	4. The effectiveness of the anti-money laundering and counter-terrorist financing system is not examined in Kazakhstan on a regular basis	The Financial Monitoring Committee is a member of the Law Enforcement Coordinating Council under the General Prosecutor's Office of the Republic of Kazakhstan and it regularly participates in the Council meetings. Moreover, deputies of the Parliament of the Republic of Kazakhstan, representatives of law enforcement and special government authorities regularly make business visits to the Committee. In 2014, implemented and additional measures to ensure compliance with international standards of combating legalization (laundering) of criminal proceeds and the financing of terrorism were considered at the Government meeting. Moreover, in May of the current year, the Prime Minister of the Republic of Kazakhstan, deputies of the Parliament of the Republic of Kazakhstan made a business visit to the Committee, during which the Committee announces the results of its activities and marked prospects for further development for the next years.
33. Legal entities - beneficial owners	1. No concept of beneficial owner	Law No. 206-V of the Republic of Kazakhstan introduced the concept of beneficial owner into the AML/CFT Law. **Beneficial owner** is an individual who directly or indirectly owns more than twenty five percent in the authorized capital or of placed shares (excluding privileged shares or shares bought out by the company) of a corporate customer, as well as an individual who otherwise controls the customer or on whose behalf transactions with money and (or) other assets are conducted by the customer.

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	2. No legislative provisions stipulating requesting and registering information about beneficial owners	The AML/CFT Law of the Republic of Kazakhstan stipulates the requirement for entities subject to financial monitoring to identify the owner and the control structure of the customer, and to verify powers of the person acting as the customer's representative. Sub-Clause 2-1), Clause 3, Article 5 of Law No. 191-IV of the Republic of Kazakhstan stipulates identification of the beneficial owner and recording information required for the identification, pursuant to Sub-Clause 1) of this Clause, excluding legal address. For identification of the beneficial owner of a corporate customer by an entity subject to financial monitoring, the customer's ownership and control structure shall be determined based on the foundation documents and shareholder register or information obtained from other sources. If the beneficial owner of a corporate customer is not identified after taking the measures stipulated by this Clause, the sole executive body or the head of the collegial executive body of the corporate customer may be deemed to be the beneficial owner. Information required for the identification of the beneficial owner shall be recorded on the basis of information and (or) documents submitted by the customer (or its representative) or received from other sources. In 2014, Order No. 1484 of the Government was supplemented by Clause 11, stipulating obtaining additional information about **beneficial owners of customers** by the Committee from entities subject to financial monitoring.

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	3. State authorities lack up-to-date and reliable information about beneficial owners of legal entities	According to Clause 3-1, Article 10 of the AML/CFT Law, in order to obtain necessary information about transactions subject to financial monitoring, including suspicious transactions, of which entities subject to financial monitoring have reported earlier, the authorized body shall send a request for additional information, details and documents to the relevant entity subject to financial monitoring. Law of 2015 introduces the following amendments to Clause 3-1, Article 10 of the AML/CFT Law: "The first, the third and the forth parts shall read as follows: 3-1. When analyzing information obtained pursuant to this Law, the authorized body, if necessary, shall send a request for additional information, details and documents to the entity subject to financial monitoring. The entity subject to financial monitoring shall submit the required information, details and documents to the authorized body upon its request within three business days upon receiving the request. If the request of the authorized body is related to analysis of a suspicious transaction, the entity subject to financial monitoring shall submit the required information, details and documents to the authorized body upon its request within one business day upon receiving the request." The Clause shall be supplemented by the fifth and the sixth parts as follows: "If the processing of the request requires additional time, the authorized body will be entitled, upon a written application of the entity subject to financial monitoring, to extend the time period mentioned in the third part of this Clause, but not more than for ten business days. The authorized body shall not be entitled to request information, details and documents pertaining to transactions completed prior to the enactment of this Law,

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		excluding information, details and documents which are to be submitted pursuant to an international agreement ratified by the Republic of Kazakhstan." According to Order No. 506 of the Minister of Finance of the Republic of Kazakhstan dated November 20, 2014, registered with the Ministry of Justice of the Republic of Kazakhstan on May 5, 2015 under No. 10932 *On Amendments to Order No. 56 of the Minister of Finance of the Republic of Kazakhstan dated February 15, 2010, About Approval of List of Documents Required for Customer Due Diligence Measures Conducted by Entities Subject to Financial Monitoring*, amendments have been introduced into the List of documents required for customer due diligence measures conducted by entities subject to financial monitoring, relating to the identification and due diligence measures in respect of the customer's representative and the beneficial owner.
38. MLA in confiscation and freezing	1. No legislative provision stipulating arrest or confiscation of assets of the relevant value or application of the relevant procedures in respect of income	According to Clause 1, Article 218 of the Criminal Code of the Republic of Kazakhstan, new revision of July 4, 2014, drawing illegally gained money and (or) other assets into legal circulation by means of transactions in the form of conversion or the transfer of assets constituting proceeds from criminal and (or) administrative offences, the concealment or disguise of the true nature, source, location, way of disposal, movement, rights to assets or their owner, with knowledge that such assets are the proceeds of criminal and (or) administrative offences, as well as possession and the use of such assets or mediation in the legalization of illegally gained money and (or) other assets, if such acts are large-scale, are punished by a fine in the amount up to three thousand monthly calculation indices, or with the corrective labor in the same amount, or with the restraint of liberty for a period up to three years, or with the deprivation of liberty for the same period, with confiscation of property. The procedure of seizure and confiscation of instruments of crime as well as proceeds derived from criminal activities shall be governed by the Criminal Code, the Code of

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		Criminal Procedure, the Penal Code, the AML/CFT Law and international agreements overriding laws pursuant to the Constitution of the Republic of Kazakhstan. In particular, confiscation of property is stipulated by Article 48 of the Criminal Code of the Republic of Kazakhstan of 2014, the order of arrestment on property is stipulated by Articles 161-163 of the Code of Criminal Procedure of the Republic of Kazakhstan of 2014; assets are identified, arrested, and confiscated pursuant to Article 577 of the Code of Criminal Procedure of the Republic of Kazakhstan of 2014. Moreover, in cases stipulated by Section 15 of the Code of Criminal Procedure of the Republic of Kazakhstan of 2014, assets may be confiscated based on a court decision as a criminal justice measure. Procedural criminal law of Kazakhstan stipulates assets confiscation by a court ruling (property which is owned by the convict or is in the possession of third parties and which is illegally gained is subject to confiscation. The property of the person, including its share in common or joint property, money and securities, bank deposits and other investments into assets, irrespective of their ownership, are subject to confiscation.) The Republic of Kazakhstan has concluded agreements with several countries, according to which the Republic of Kazakhstan undertakes to render legal assistance stipulating arrest of illegally gained assets as well as confiscation of illegally gained assets and instruments of crime. For example, the Republic of Kazakhstan has concluded agreements with such countries as the People's Republic of China, Mongolia, the Republic of India, the Republic of Turkey. The Republic of Kazakhstan follows ratified Minsk (Articles 6, 58) and Kishinev Conventions on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters (Article 104), the provisions of which regulate the procedure of legal assistance which

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		stipulates provisional (restrictive) measures in respect of assets, funds, and valuables obtained in a criminal manner and criminal proceeds owned by accused persons (defendants, convicts). The Minsk Convention stipulates investigation and arrest (seizure) of funds and assets obtained in a criminal manner as well as criminal proceeds. Article 58 of the said Convention stipulates the mechanism of enforcement of court decisions about recovery of items and property involved in the criminal case to the income of the state or about confiscation of criminally gained income (which are enforced on grounds and in the manner determined by Articles 8, 54, 56, 57, 59 of the said Convention). In addition, subject to the AML/CTF Law of the Republic of Kazakhstan of 2015, amendments have been made to Clause 2, Article 18 of the AML/CTF Law as follows: "1-1) From the date of publishing of information about the inclusion of the entity or the individual into the list of entities and persons involved in the financing of terrorism and extremism at the official web site of the authorized body, take freezing measures according to the laws of the Republic of Kazakhstan."
	2. There is no clear mechanism for coordinating actions with a foreign state for arrest and confiscation of assets	Actions coordination mechanism with a foreign state relating to legal assistance, the procedure of cooperation of authorities conducting criminal proceedings with foreign competent bodies and officials on criminal cases, including crimes related to money laundering, legalization of illegally gained assets, are governed by Chapter 12 *International Cooperation in Criminal Justice* of the Code of Criminal Procedure of the Republic of Kazakhstan of 2014.

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		According to Article 557 of the Code of Criminal Procedure of the Republic of Kazakhstan of 2014, as part of legal assistance rendered to investigative authorities and courts of foreign countries, with which the Republic of Kazakhstan has concluded international agreements on legal assistance, legal proceedings stipulated by the Code of Criminal Procedure of the Republic of Kazakhstan may be carried out as well as other actions stipulated by other laws and international agreements of the Republic of Kazakhstan. In the absence of an international agreement, pursuant to Article 558 of the Code of Criminal Procedure of the Republic of Kazakhstan of 2014, legal or other assistance may be rendered upon request of a foreign state, and assistance may be requested by the centralized body of the Republic of Kazakhstan on the principle of reciprocity. Also, pursuant to the same Article, the centralized body of the Republic of Kazakhstan, sending a similar request to the foreign state, guarantees in writing that in the future it will consider requests of that state concerning similar legal assistance. When requesting or rendering mutual legal assistance from or to a foreign state, the Republic of Kazakhstan follows the Code of Criminal Procedure of the Republic of Kazakhstan of 2014. Moreover, in the absence of an international agreement with the foreign state, the Republic of Kazakhstan shall submit legal assistance requests through diplomatic channels. Actions coordination mechanism with a foreign state as to arrest and confiscation of assets is stipulated by Article 557 *Identification, Arrest, and Confiscation of Assets* of the Code of Criminal Procedure of the Republic of Kazakhstan of 2014.

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		The procedure of court settlement of issues related to execution of a foreign court sentence or order
	3. The issue of the creation of confiscated assets fund is not covered	The effective Code of Criminal Procedure of the Republic of Kazakhstan of 2014 stipulates legal provisions concerning assets identification, arrest, and confiscation. In particular, it is prescribed that upon legal assistance request (assignment, application), competent authorities of the Republic of Kazakhstan shall carry out legal proceedings stipulated by the Code of Criminal Procedure in order to detect and arrest assets, funds, and valuables obtained in a criminal manner and assets owned by accused persons, defendants or convicts. Upon the request of the requesting party, the detected assets: 1) May be arrested and handed over to the competent authority of the requesting party as evidence under the criminal case or for returning to the owner; 2) May be confiscated, if confiscation is prescribed by a valid court sentence or other valid court decision of the requesting party. And, subject to application of the centralized body of the Republic of Kazakhstan, the court may decide on the transfer of the confiscated assets and their money equivalent: 1) To the requesting party which has taken the decision on confiscation, to compensate damages of the victim resulting from the criminal offence; 2) According to international agreements of the Republic of Kazakhstan governing distribution of confiscated assets or their money equivalent. At the same time, in the beginning of 1990-ies, there existed practice in Kazakhstan of transferring confiscated assets to a special fund which has demonstrated its unprofitability.

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		That mechanism has been regulated by Order No. 597 of the Cabinet of the Republic of Kazakhstan dated July 13, 1992 *On Implementation of Order No. 684 of the President of the Republic of Kazakhstan of March 17, 1992 On Measures to Strengthen the Fight against Organized Forms of Crime and Corruption* (ceased to be in force in 1996).
	4. The issue of sharing confiscated assets with competent authorities of foreign states whose actions facilitated the confiscation of property is not considered	As mentioned above, in the beginning of 1990-ies, there already existed practice in Kazakhstan of transferring confiscated assets to a special fund which has demonstrated its unprofitability. If necessary, negotiations will be conducted and necessary approaches will be elaborated in each particular case.
	5. Deficiencies in the criminalization of ML may affect the provision of MLA in cases involving freezing, seizure and confiscation of proceeds derived from ML.	RK AML/CFT Law 206-V of 10.06.2014 amended the RK Criminal Code adopted in 1997. The revised Article 193(1) of the Kazakh Criminal Code reads as follows: "1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of crime, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of crime, as well as ownership or use of such property (assets) –". (This version was in effect until January 1, 2015). The new RK Criminal Code adopted on July 3, 2014 came into effect on January 1, 2015. Since January 1, 2015, Article "Legalization (Laundering) of Funds and (or) other Property (Assets) Obtained through Crime" reads as follows: "Article 218. Legalization (Laundering) of Funds and (or) other Property (Assets) Obtained through Crime 1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal and (or) administrative offences, and also concealment or

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		disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal and (or) administrative offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime, where such actions are committed on a large scale – is punishable by imposition of fine in amount of up to three thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for up to three years, or by imprisonment for the same period with forfeiture of property (assets). 2. The same actions, if: 1) committed by a group of persons upon prior conspiracy; 2) committed repeatedly; 3) committed by a person abusing his/her official position, – are punishable by imposition of fine in amount of up to five thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for up to five years, or by imprisonment for the same period with forfeiture of property (assets). 3. Actions covered by the first or the second clauses of this Article, if: 1) committed by a person entrusted with public functions, or by a person having equal status, or by an executive officer, or by a person holding an important public office, by abusing his/her official position; 2) committed by a criminal group; 3) committed on a large scale, – are punishable by imprisonment for a period from three up to seven years with forfeiture of property (assets), and in situations covered by paragraph (1) with a lifetime prohibition to hold certain job positions or be engaged in certain types of activities. Note: A person who voluntarily provides a report on legalization (laundering) of funds and (or) other property (assets) obtained through crime, which is in preparation or has taken place, shall be exempt from criminal liability, unless his/her actions constitute the crimes covered by the second or third clauses of this Article or other criminal offence”.

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		Besides that, on July 14, 2015, the RK Parliament adopted and submitted for the approval of the RK President the AML/CFT Law of 2015. According to this Law Article 218(1) of the RK Criminal Code of 2014 is amended to read as follows: "1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal offences, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime, where such actions are committed on a large scale, – ".
39. Extradition	1. No extradition is possible without dual criminality. In this respect, the deficiencies in the criminalization of ML and FT may adversely affect the execution of requests.	ML criminalization Clause 1068 of the Mutual Evaluation Report indicates that Kazakhstan should eliminate deficiencies in criminalization of ML and FT. The RK AML/CFT Law of 2014 amended the RK Criminal Code adopted in 1997. The revised Article 193(1) of the Kazakh Criminal Code reads as follows: «1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of crime, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of crime, as well as ownership or use of such property (assets) –". (This version was in effect until January 1, 2015). New Criminal Code of July 3, 2014 was signed by the RK President and came into effect on January 1, 2015. Since January 1, 2015, Article "Legalization (laundering) of Funds and (or) other Property (Assets) Obtained through Crime" reads as follows: "Article 218. Legalization (Laundering) of Funds and (or) other Property (Assets) Obtained through Crime 1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal and (or) administrative offences, and also concealment or

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		disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal and (or) administrative offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime, where such actions are committed on a large scale – is punishable by imposition of fine in amount of up to three thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for up to three years, or by imprisonment for the same period with forfeiture of property (assets). 2. The same actions, if: 1) committed by a group of persons upon prior conspiracy; 2) committed repeatedly; 3) committed by a person abusing his/her official position, – are punishable by imposition of fine in amount of up to five thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for up to five years, or by imprisonment for the same period with forfeiture of property (assets). 3. Actions covered by the first or the second clauses of this Article, if: 1) committed by a person entrusted with public functions, or by a person having equal status, or by an executive officer, or by a person holding an important public office, by abusing his/her official position; 2) committed by a criminal group; 3) committed on a large scale, – are punishable by imprisonment for a period from three up to seven years with forfeiture of property (assets), and in situations covered by paragraph (1) with a lifetime prohibition to hold certain job positions or be engaged in certain types of activities. Note: A person who voluntarily provides a report on legalization (laundering) of funds and (or) other property (assets) obtained through crime, which is in preparation or has taken place, shall be exempt from criminal liability, unless his/her actions constitute the crimes covered by the second or third clauses of this Article or other criminal offence”.

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		The RK AML/CFT Law of 2015 amended Article 218(1) of the RK Criminal Code of 2014 which now reads as follows: "1. Integration of funds and (or) other property (assets) obtained through crime, into legal circulation through transactions involving conversion or transfer of property (assets) which is the proceeds of criminal offences, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to property (assets), knowing that such property (assets) is the proceeds of criminal offences, as well as ownership or use of such property (assets), or intermediation in laundering funds and (or) other property (assets) obtained through crime, where such actions are committed on a large scale, – ". FT criminalization The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Terrorism of January 8, 2013 revised Article 233-3(1) (Financing of Terrorist or Extremist Activities and other Support of Terrorism or Extremism) of the RK Criminal Code, which now reads as follows: "… provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial **services to an individual** or to a group of individuals or to a legal entity by a person who has been aware of terrorist or extremist nature of their activities or has known **that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist or extremist activity or for supporting terrorist group, terrorist or extremist organization and (or) illegal armed group, -** is punishable by imprisonment for up to five years with forfeiture of property (assets)". The same Law introduced the relevant amendments into Article 1(12) of the Law on Combating Terrorism of July 13, 1999. The "terrorist financing" concept includes provision

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		or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial **services to an individual** or to a group of individuals or to a legal entity by a person who has been aware of terrorist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist activity or for supporting terrorist group, terrorist organization and (or) illegal armed group. Later on, RK Law No.244-V on Amendments and Modifications to Certain RK Laws Pertaining to Combating Extremism and Terrorism of November 3, 2014 introduced similar amendments into Article 1 of the RK AML/CFT Law, which now defines "financing of terrorism" as follows: "Financing of terrorism - provision or collection of funds and (or) other property (assets), granting title to property (assets) or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist nature of their activities or has known that the provided property (assets) and rendered information, financial and other services will be used for pursuing terrorist activity or for supporting terrorist group, terrorist organization and (or) illegal armed group". The provisions of Article 258(1) of the RK Criminal Code of 2014 remained the same as the provisions of Article 233-3 of the RK Criminal Code of 1997. However, the imprisonment term for this criminal offence was increased from three up to seven years … **Thus, the current legislation criminalizes financing of terrorism in situations where collection and provision of funds and services to individual terrorists or terrorist organizations is not linked to a specific terrorist act or is done without intention to carry out terrorist activity.** Imposition of criminal liability does not require that provided assets and services were actually used for committing a terrorist act or for pursuing terrorist activity. In Kazakhstan, criminal liability is imposed for preparation of a criminal offence.

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		Article 24 of the RK Criminal Code of 1997 defines crime preparation as **intentionally** acquiring, manufacturing or adapting instrumentalities of crime, engaging accomplices, **conspiring to commit a criminal offence,** or otherwise deliberately creating conditions for committing a criminal offence, where such criminal offence has not been accomplished due to circumstances beyond the perpetrator's control. Preparation of a serious and exceptionally serious criminal offence as well as preparation of a terrorism-related criminal offence entails criminal liability. The said legal provision contains the intention element that according to paragraph 5 thereof is criminally punishable under the same Article of the Criminal Code of 2014 that imposes criminal liability for a committed criminal offence, with reference to the relevant paragraph of that Article. Pursuant to Article 117 of the RK Criminal Procedure Code of 1997 subject to proof are all circumstances that determine the extent and nature of liability of a defendant and also the extent and nature of harm inflicted by a crime. Advocacy of terrorism and public call for committing terrorist acts are also criminalized in Kazakhstan (Article 256 of the RK Criminal Code of 2014). In Kazakhstan, criminal liability is imposed for preparation of a criminal offence. Article 24 of the RK Criminal Code of 1997 defines crime preparation as **intentionally** acquiring, manufacturing or adapting instrumentalities of crime, engaging accomplices, **conspiring to commit a criminal offence,** or otherwise deliberately creating conditions for committing a criminal offence, where such criminal offence has not been accomplished due to circumstances beyond the perpetrator's control. Preparation of a serious and exceptionally serious criminal offence as well as preparation of a terrorism-related criminal offence entails criminal liability. The said legal provision contains the intention element that according to paragraph 5 thereof is criminally punishable under the same Article of the Criminal Code of 2014 that imposes criminal liability for a committed criminal offence, with reference to the relevant paragraph of that Article. Pursuant to Article 117 of the RK Criminal Procedure Code of 1997 subject to proof are all circumstances that determine the extent and nature of liability of a defendant and also the extent and nature of harm inflicted by a crime.

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		Advocacy of terrorism and public call for committing terrorist acts are also criminalized in Kazakhstan (Article 256 of the RK Criminal Code of 2014). According to Article 269(1) of the RK Criminal Code attack on buildings, structures (**including fixed platforms located on the RK continental shelf**), communications and other infrastructure facilities as well as unlawful seizure thereof is punishable by detention under arrest for the period from three to seven years, or by imprisonment for the same period. The RK Law on Amendments and Modifications to Certain RK Laws Pertaining to Combating Terrorism dated January 8, 2013 introduced new Article 14-3 *Suppression of Terrorist Attacks in the RK Inland Waters, Territorial Sea and on the Continental Shelf and for Ensuring Safety of Maritime Navigation* into the RK Law on Combating Terrorism. Pursuant to this new Article the RK Armed Forces shall use weapons and military equipment for suppressing threats of terrorist acts in the RK inland waters, territorial sea and on the continental shelf and for ensuring safety of maritime navigation. In a situation where sea or river vessels and ships (watercraft) ignore commands and (or) signals ordering them to discontinue breaching the regulations pertaining to the use of the RK territorial waters or refuse to stop, the naval (aircraft) weapons of the RK Armed Forces is used for forcing such watercraft to stop in order to eliminate a terrorist act threat. Where a watercraft refuses to stop and (or) it is impossible to force it to stop, and all available measures undertaking in given circumstances failed to stop it, and there is a real threat to human life or of environmental disaster, the naval (aircraft) weapons of the RK Armed Forces is used for stopping movement of such watercraft by destroying it. Actions involving dissemination of deliberately false information entail criminal liability (Article 274 of the RK Criminal Code of 2014) and are punishable by fine in amount of up to one thousand monthly calculated indices, or by correctional labor for restitution of the same amount, or by detention under arrest for up to one year, or by imprisonment for the same period.
	2. Regulations do not contain mechanisms for determining the best location (jurisdiction) where to prosecute the accused.	Article 591(1) of the RK Criminal Procedure Code of 2014 stipulates that “Where several countries request extradition of an individual, the General Prosecutor shall decide to which country such individual is to be extradited”.

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		The international agreements/ treaties signed and ratified by Kazakhstan with individual countries also establish a mechanism for determining the best venue for criminal prosecution. For example, Article 30 of the Agreement between the Republic of Kazakhstan and Georgia (signed on September 17, 1996 in Tbilisi) provides that where an individual(s) has/have committed several crimes in the territories of the Parties to the Agreement, the preliminary investigation shall be completed by the investigative authority of the country where the most severe crime or most crimes have been committed. Where an individual(s) has/have committed at least one crime in the territory of the Party to the Agreement which national he/she is and has been detained in its territory, the criminal investigation and prosecution shall be completed by the competent agency of such Party. In other cases, the venue for criminal prosecution shall be determined in accordance with the legislation of the Parties to the Agreement.
CP.VI AML/CFT Requirements for Money/ Value Transfer Services	1. A portion of money/ value transfer service providers is not licensed.	*International funds transfer/ remittance systems* According to the RK Law on Banks and Banking Activity only the following institutions are authorized to provide funds transfer/ remittance services via the funds transfer/ remittance systems (carry out funds transfer/remittance transactions) based on the relevant agency agreements signed with the operators of these systems: 1) Banks in compliance with licenses granted by the designated government authority (the National Bank); 2) KazPost in compliance with the Law on Postal Services. The requirements according to which only banks and certain types of legal entities are allowed to provide funds transfer/ remittance services have been established regulating financial risk and preventing ML/FT. According to the AML/CFT Law banks and Kazpost fall into the category of entities that are subject to financial monitoring. Law No.206-V amended Article 7 of the AML/CFT Law, which now requires banks and institutions engaged in certain types of banking operations to ensure that payment instruments contain the required information on payment/ remittance originators and beneficiaries. This requirement applies to transfers of funds/ remittances carried out via the funds transfer/ remittance systems.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		According to the Payment Systems Supervision (Oversight) Regulation (adopted by RK National Bank Board Resolution No.108 of May 23, 2007) the international funds transfer/ remittance systems are a separate type of entities supervised by the National Bank which analyzes the use of such systems based on information provided by banks and institutions engaged in certain types of banking operations (including information on banks involved, systems, economy sectors, residency of payment originators and beneficiaries and payment destination codes). *E-money operators* According to the RK Law on Payments and Fund Transfers both the issuers (the second-tier banks) and other legal entities that have entered into the relevant agreement with the issuing banks may operate in the capacity of e-money operators. According to the RK legislation non-bank e-money operators fall into the category of entities that are subject to financial monitoring. Thus, the requirements of the AML/CT Law apply to e-money operators (banks and other legal entities). Law No.2006-V introduced amendments into Article 36-1 of the RK Law on Payments and Fund Transfers of June 29, 1998, according to which e-money issuers are obliged to provide the designated financial monitoring agency with information on operators which whom they entered into the relevant agreements. *Kazpost* Kazpost is empowered by Article 4(3) of the Law on Postal Services to carry out funds transfer/ remittance transactions. Law No.206-V introduced amendments into Article 1(1) of the RK Law on Payments and Fund Transfers, according to which the requirements of the legislation pertaining to payments and fund transfers also apply to funds transfer/ remittance transactions carried out by Kazpost.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		Organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, inter alia, via electronic terminals According Article 30(3)(2) of the RK Law on Payments and Fund Transfers acceptance of cash from public as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, inter alia, via electronic terminals does not fall into the category of banking activity. The services provided by these organizations involve just "technical" transfer of funds in favor of the service providers. However, funds are transferred through banks that fall in the category of entities that are subject to financial monitoring. Thus, transfer of funds by organizations that accept cash (inter alia, via electronic terminals) from public as payment for the provided services under an agency contracts with the service providers is subject to monitoring since they are transferred through banks that are entities that are subject to financial monitoring and are covered by the AML/CFT Law. According to the Law of 2015 third-party payment processors fall into the category of entities that are subject to financial monitoring. Pursuant to the Law of 2015 information on such entities is provided to the designated financial monitoring agency by the RK National Bank.
	2. The requirements do not apply to some money/ value transfer service providers.	According to Article 30(6-1) of the RK Law on Banks and Banking Activity banking transactions specified in Clause (2)(6) of this Article are carried out for the stock exchange and the central depository, provided that they are licensed by the designated government authority to be engaged in banking transactions specified in Clause 2(1) and (or) Clause 2(3) of this Article, and also by the interbank funds transfer system operator. Other legal entities carry out banking transactions specified in Clause 2(1) and (6) of this Article insofar as they are authorized to do it by the RK legislation. Banking transactions specified in Clause 2(6) of this Article may be carried out without license granted by the designated government authority by credit cooperatives, national postal service operator, e-government payment gateway operator and development bank of Kazakhstan in compliance with the RK laws that regulate their activities and also by entities listed in Article 61-4(8) of this Law.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	3. The system of compliance monitoring lacks effectiveness.	*International funds transfer/ remittance systems* According to the RK Law on Banks and Banking Activity only the following institutions are authorized to provide funds transfer/ remittance services via the funds transfer/ remittance systems (carry out funds transfer/remittance transactions) based on the relevant agency agreements signed with the operators of these systems: 1) Banks in compliance with licenses granted by the designated government authority (the National Bank); 2) KazPost in compliance with the Law on Postal Services. The requirements according to which only banks and certain types of legal entities are allowed to provide funds transfer/ remittance services have been established regulating financial risk and preventing ML/FT. According to the AML/CFT Law banks and Kazpost fall into the category of entities that are subject to financial monitoring. Law No.206-V amended Article 7 of the AML/CFT Law, which now requires banks and institutions engaged in certain types of banking operations to ensure that payment instruments contain the required information on payment/ remittance originators and beneficiaries. This requirement applies to transfers of funds/ remittances carried out via the funds transfer/ remittance systems. According to the Payment Systems Supervision (Oversight) Regulation (adopted by RK National Bank Board Resolution No.108 of May 23, 2007) the international funds transfer/ remittance systems are a separate type of entities supervised by the National Bank which analyzes the use of such systems based on information provided by banks and institutions engaged in certain types of banking operations (including information on banks involved, systems, economy sectors, residency of payment originators and beneficiaries and payment destination codes). *E-money operators* According to the RK Law on Payments and Fund Transfers both the issuers (the second-tier banks) and other legal entities that have entered into the relevant agreement with the issuing banks may operate in the capacity of e-money operators.

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		According to the RK legislation non-bank e-money operators fall into the category of entities that are subject to financial monitoring. Thus, the requirements of the AML/CT Law apply to e-money operators (banks and other legal entities). Law No.2006-V introduced amendments into Article 36-1 of the RK Law on Payments and Fund Transfers of June 29, 1998, according to which e-money issuers are obliged to provide the designated financial monitoring agency with information on operators which whom they entered into the relevant agreements. *Kazpost* Kazpost is empowered by Article 4(3) of the Law on Postal Services to carry out funds transfer/ remittance transactions. Law No.206-V introduced amendments into Article 1(1) of the RK Law on Payments and Fund Transfers, according to which the requirements of the legislation pertaining to payments and fund transfers also apply to funds transfer/ remittance transactions carried out by Kazpost. *Organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, inter alia, via electronic terminals* According Article 30(3)(2) of the RK Law on Payments and Fund Transfers acceptance of cash from public as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, inter alia, via electronic terminals does not fall into the category of banking activity. The services provided by these organizations involve just “technical” transfer of funds in favor of the service providers. However, funds are transferred through banks that fall in the category of entities that are subject to financial monitoring. Thus, transfer of funds by organizations that accept cash (inter alia, via electronic terminals) from public as payment for the provided services under an agency contracts with

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		the service providers is subject to monitoring since they are transferred through banks that are entities that are subject to financial monitoring and are covered by the AML/CFT Law. According to the Law of 2015 third-party payment processors fall into the category of entities that are subject to financial monitoring. Pursuant to the Law of 2015 information on such entities is provided to the designated financial monitoring agency by the RK National Bank. According to Article 30(6-1) of the RK Law on Banks and Banking Activity banking transactions specified in Clause (2)(6) of this Article are carried out for the stock exchange and the central depository, provided that they are licensed by the designated government authority to be engaged in banking transactions specified in Clause 2(1) and (or) Clause 2(3) of this Article, and also by the interbank funds transfer system operator. Other legal entities carry out banking transactions specified in Clause 2(1) and (6) of this Article insofar as they are authorized to do it by the RK legislation. Banking transactions specified in Clause 2(6) of this Article may be carried out without license granted by the designated government authority by credit cooperatives, national postal service operator, e-government payment gateway operator and development bank of Kazakhstan in compliance with the RK laws that regulate their activities and also by entities listed in Article 61-4(8) of this Law. The report presenting the results of study of alternative remittance systems was prepared at the request of the RK Government for technical assistance under the Joint Economic Research Program (JERP). The study of alternative remittance systems has been undertaken as part of the public administration reform program aimed at enhancement of effectiveness and efficiency of the public sector operation. For the purposes of the said study the “alternative remittance systems” were defined as non-bank formal and informal remittance transfer channels. The study analyzes the main remittance flows through the money transfer operators (MTOs) as well as through the informal channels, like hawala. For comparative purposes, the said report examines remittance transfers through the banking system and analyzes cross-border transportation of cash to the extent it is the way of informal funds transfer. The main objectives of the alternative remittance systems study were twofold.

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		First, the report provided information and analysis on: a) Nature, trends and volume of both formal and informal remittance transfers; b) Use of alternative remittance systems and their vulnerabilities to money laundering and terrorist financing; and c) Legal and regulatory framework concerning remittance transfers. Second, the report provided recommendations for consideration by the Kazakh authorities that would facilitate efficient and secure remittance flows. The final report on study of alternative remittance systems was presented at the EAG 16th Plenary Meeting in May 2012. The RK Law amended Article 168-3 of the RK Code of Administrative Offences for clarifying liability of entities that are subject to financial monitoring for breaches of the RK AML/CFT Legislation as it pertains to documenting, retaining and proving information on transactions that are subject to financial monitoring and their customers, performing due diligence on customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring and ensuring security of documents obtained in course of their operations; and also for by entities that are subject to financial monitoring to develop, adopt and (or) comply with the internal control rules and their implementation programs. Besides that, the introduced amendments clarified liability of non-bank e-money operators and postal service operators.
	4. All AML / CFT measures-related deficiencies identified in the banking system are applicable to banks in the context of money remittances.	*International funds transfer/ remittance systems* According to the RK Law on Banks and Banking Activity only the following institutions are authorized to provide funds transfer/ remittance services via the funds transfer/ remittance systems (carry out funds transfer/remittance transactions) based on the relevant agency agreements signed with the operators of these systems: 1) Banks in compliance with licenses granted by the designated government authority (the National Bank); 2) KazPost in compliance with the Law on Postal Services. The requirements according to which only banks and certain types of legal entities are allowed to provide funds transfer/ remittance services have been established regulating financial risk and preventing ML/FT.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		According to the AML/CFT Law banks and Kazpost fall into the category of entities that are subject to financial monitoring. Law No.206-V amended Article 7 of the AML/CFT Law, which now requires banks and institutions engaged in certain types of banking operations to ensure that payment instruments contain the required information on payment/ remittance originators and beneficiaries. This requirement applies to transfers of funds/ remittances carried out via the funds transfer/ remittance systems. According to the Payment Systems Supervision (Oversight) Regulation (adopted by RK National Bank Board Resolution No.108 of May 23, 2007) the international funds transfer/ remittance systems are a separate type of entities supervised by the National Bank which analyzes the use of such systems based on information provided by banks and institutions engaged in certain types of banking operations (including information on banks involved, systems, economy sectors, residency of payment originators and beneficiaries and payment destination codes). *E-money operators* According to the RK Law on Payments and Fund Transfers both the issuers (the second-tier banks) and other legal entities that have entered into the relevant agreement with the issuing banks may operate in the capacity of e-money operators. According to the RK legislation non-bank e-money operators fall into the category of entities that are subject to financial monitoring. Thus, the requirements of the AML/CT Law apply to e-money operators (banks and other legal entities). Law No.2006-V introduced amendments into Article 36-1 of the RK Law on Payments and Fund Transfers of June 29, 1998, according to which e-money issuers are obliged to provide the designated financial monitoring agency with information on operators which whom they entered into the relevant agreements. *Kazpost* Kazpost is empowered by Article 4(3) of the Law on Postal Services to carry out funds transfer/ remittance transactions.

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		Law No.206-V introduced amendments into Article 1(1) of the RK Law on Payments and Fund Transfers, according to which the requirements of the legislation pertaining to payments and fund transfers also apply to funds transfer/ remittance transactions carried out by Kazpost. *Organizations accepting from public cash as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, inter alia, via electronic terminals* According Article 30(3)(2) of the RK Law on Payments and Fund Transfers acceptance of cash from public as payment for the provided services received by a trustee who acts on behalf and at instructions of a trustor (service provider) under an agency contract, inter alia, via electronic terminals does not fall into the category of banking activity. The services provided by these organizations involve just "technical" transfer of funds in favor of the service providers. However, funds are transferred through banks that fall in the category of entities that are subject to financial monitoring. Thus, transfer of funds by organizations that accept cash (inter alia, via electronic terminals) from public as payment for the provided services under an agency contracts with the service providers is subject to monitoring since they are transferred through banks that are entities that are subject to financial monitoring and are covered by the AML/CFT Law. According to the Law of 2015 third-party payment processors fall into the category of entities that are subject to financial monitoring. Pursuant to the Law of 2015 information on such entities is provided to the designated financial monitoring agency by the RK National Bank.
SR.VII Wire Transfer Rules	1. The requirement for transmitting originator information along with a wire transfer is implemented only for domestic wire transfers but does not apply to international wire transfers.	RK Law No.206-V introduced the following new paragraph 2 into Article 7 of the AML/CFT Law: "2. When effecting cashless payments and wire transfers ordered by customers, except for payments and transfers with the use of payment cards and in the situations specified in Article 5(3-1)(1), (2) and (5), the second-tier banks and institutions engaged in certain types of banking operations shall ensure that such transfers contain the following details (as required by the RK legislation) and that such details are transmitted

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		to intermediary (if any) and beneficiary institutions: - Last names, first names and patronymics (if) any, or full or abbreviated names (in case legal entities) of payment/ transfer originator and beneficiary; - Individual identification codes of the payment/ transfer originator and beneficiary (when payment/ transfer is effected with the use of bank account), or reference number of payment/ transfer order (when payment/ transfer is effected without use of bank account); - Identification number or address of payment/transfer originator (in case of individuals and legal entities), or number of ID document of payment/ transfer originator (in case of individuals). The second-tier banks and entities engaged in certain types of banking operations shall verify that payments and transfers received from foreign financial institutions contain the information specified in subparagraph 1 of this paragraph and shall also record and retain information required for identification beneficiaries of wire transfers effected without use of bank account". The second-tier banks and entities engaged in certain types of banking operations shall verify that **payments and transfers received from foreign financial institutions** contain the information specified in subparagraph 1 of this paragraph and shall also record and retain information required for identification beneficiaries of wire transfers effected without use of bank account. Besides that, Law No.206-V introduced amendments into Article 1 of the RK Law on Payments and Fund Transfers, according to which **relationships associated with international payments and wire transfers** between the Kazakh banks and/or entities engaged in certain types of banking operations and foreign banks (financial institutions) are regulated by agreements signed between them and business practices applicable in the banking sector with due consideration for the requirements of the RK AML/CFT legislation. Where such payments/ wire transfers are arranged in and originate from Kazakh territory, the aforementioned relationships are regulated by this Law, the said agreements and business practices applicable in the banking sector, unless they contradict the RK legislation. If cross-border payments are arranged in and originate from the Kazakh territory, the requirements of the RK Law on Payments and Fund Transfers and the relevant

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		regulations adopted in furtherance thereof, including the requirements set forth in Regulations No.179 and No.395, apply to such cross-border payments as they pertain to the arrangements and operations made in the territory of the Republic of Kazakhstan. The effected cross-border payments shall meet the requirements of the RK Law on Payments and Fund Transfers, shall contain information on payment originator and shall be effected by way of transmitting payment instruments. RK National Bank Board Resolution No.117 of April 26, 2013 amended the Instruction on Issuance, Use and Execution of Payment Orders, Payment Request-Orders and Collection Orders (adopted by RK National Bank Board Resolution No.179 of April 25, 2000) and the Instruction on Effecting Cashless Payments and Transfers without Opening Bank Account (adopted by RK National Bank Board Resolution No.395 of October 13, 2000). The introduced amendments oblige ordering, intermediary and beneficiary banks to retain information that allows for identifying originator and/or beneficiary as required by the AML/CFT Law and also information on payment or transfer effected by the originator for five years after closing customer's bank account/ completion of transfer without opening bank account.
	2. There are no specific measures for monitoring compliance by banks with the wire transfer rules.	Since the amendments pertaining to transmission of information along the entire payment chain were introduced into Article 7 of RK Law No.191-IV which regulates due diligence measures to be undertaken in respect of transactions with funds and (or) other property (assets), monitoring of compliance with these requirements is performed as part of AML/CFT audits conducted as per Article 9(2-1) of the RK Law on Government Regulation, Monitoring and Supervision of Financial Market and Financial Institutions. Besides that, in course of monitoring compliance with the payments and transfers legislation, as prescribed by the RK Law on the National Bank of the Republic of Kazakhstan: 1) The RK National Bank: - Monitors compliance by entities that are subject to financial monitoring and financial market operators with the requirements of the RK legislation pertaining to banking activity, payments and fund transfers … (Article 61(1) of the Law on the RK National Bank);

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		- Oversees compliance by entities that are subject to financial monitoring and financial market operators with the requirements of the RK legislation pertaining to banking activity, payments and fund transfers … (Article 61(2) of the Law on the RK National Bank); - Conducts scheduled, unscheduled and offsite audits of banks in respect to matters falling under its authority, including compliance with the legislation pertaining to fund transfers (Article 62 of the Law on RK national Bank). In 2012, the RK NB specialists took part in 5 joint payment and wire transfer compliance audits conducted by RK NB Financial Supervision Committee, and conducted 3 scheduled, 43 unscheduled (triggered by complaints) and 92 offsite audits (triggered by complaints) of banks and entities engaged in certain types of banking operations. In 2013, the RK NB specialists took part in 9 joint payment and wire transfer compliance audits conducted by RK NB Financial Supervision Committee, and conducted 5 scheduled and 110 offsite audits of banks and entities engaged in certain types of banking operations. In 2014, the RK NB conducted 13 scheduled comprehensive, 3 unscheduled and 15 offsite payment and wire transfer compliance audits of banks and entities engaged in certain types of banking operations. 2) Should an audit reveal any breaches of the RK legislation, the National Bank may impose enforcement actions including the following: request a letter of commitment; draw up a written agreement with the bank; issue a warning; give a binding written order; and also apply sanctions (as per Article 8(35) of the Law on the RK National Bank). Breaches of the payment and transfer requirements covered by Article 169 of the RK Code of Administrative Offences are punishable by imposition of fines. 3) The RK National bank regulates and oversees operation of the interbank wire transfer system, interbank clearing system and other payments systems used for effecting money transfers in the Kazakh tenge between the users (Article 8(6) of the Law on the RK National Bank); 4) For payment systems oversight purpose the RK National Bank is authorized to: - Establish the payment systems oversight procedure;

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		- Adopt the regulations that define conditions and procedures of establishment and operation of payment systems; - Monitor operation of payment systems; - Audit structure and operation of payment systems; - Obtain information on payments, transfers and operation of payment systems from payment system members and operators; - Audit operation of payment system members. According to the Regulation on Payment Systems Oversight (adopted by RK National Bank Resolution No.108 of May 23, 2007) and other regulations the National Bank analyzes and oversees payments and money transfers effected via the payment systems, international funds transfer/ remittance systems, correspondent banking relationships, intra-bank transfer systems, electronic terminals and remote access systems and also effected with the use of e-money. As part of its oversight functions, the National Bank collects details statistics on such payments and money transfers from payment system operators, banks and institutions engaged in certain types of banking operations.
	3. There is a lack of legislative clarity in respect of transactions carried out by the KazPost.	RK Law No.206-V introduced the following new paragraph 2 into Article 7 of the AML/CFT Law: "2. When effecting cashless payments and wire transfers ordered by customers, except for payments and transfers with the use of payment cards and in the situations specified in Article 5(3-1)(1), (2) and (5), the second-tier banks and institutions engaged in certain types of banking operations shall ensure that such transfers contain the following details (as required by the RK legislation) and that such details are transmitted to intermediary (if any) and beneficiary institutions: - Last names, first names and patronymics (if) any, or full or abbreviated names (in case legal entities) of payment/ transfer originator and beneficiary; - Individual identification codes of the payment/ transfer originator and beneficiary (when payment/ transfer is effected with the use of bank account), or reference number of payment/ transfer order (when payment/ transfer is effected without use of bank account); - Identification number or address of payment/transfer originator (in case of individuals and legal entities), or number of ID document of payment/ transfer originator (in case of individuals).

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		The second-tier banks and entities engaged in certain types of banking operations shall verify that payments and transfers received from foreign financial institutions contain the information specified in subparagraph 1 of this paragraph and shall also record and retain information required for identification beneficiaries of wire transfers effected without use of bank account". The second-tier banks and entities engaged in certain types of banking operations shall verify that **payments and transfers received from foreign financial institutions** contain the information specified in subparagraph 1 of this paragraph and shall also record and retain information required for identification beneficiaries of wire transfers effected without use of bank account. Besides that, Law No.206-V introduced amendments into Article 1 of the RK Law on Payments and Fund Transfers, according to which **relationships associated with international payments and wire transfers** between the Kazakh banks and/or entities engaged in certain types of banking operations and foreign banks (financial institutions) are regulated by agreements signed between them and business practices applicable in the banking sector with due consideration for the requirements of the RK AML/CFT legislation. Where such payments/ wire transfers are arranged in and originate from Kazakh territory, the aforementioned relationships are regulated by this Law, the said agreements and business practices applicable in the banking sector, unless they contradict the RK legislation. If cross-border payments are arranged in and originate from the Kazakh territory, the requirements of the RK Law on Payments and Fund Transfers and the relevant regulations adopted in furtherance thereof, including the requirements set forth in Regulations No.179 and No.395, apply to such cross-border payments as they pertain to the arrangements and operations made in the territory of the Republic of Kazakhstan. The effected cross-border payments shall meet the requirements of the RK Law on Payments and Fund Transfers, shall contain information on payment originator and shall be effected by way of transmitting payment instruments. RK National Bank Board Resolution No.117 of April 26, 2013 amended the Instruction on Issuance, Use and Execution of Payment Orders, Payment Request-Orders and Collection Orders (adopted by RK National Bank Board Resolution No.179 of April

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		25, 2000) and the Instruction on Effecting Cashless Payments and Transfers without Opening Bank Account (adopted by RK National Bank Board Resolution No.395 of October 13, 2000). The introduced amendments oblige ordering, intermediary and beneficiary banks to retain information that allows for identifying originator and/or beneficiary as required by the AML/CFT Law and also information on payment or transfer effected by the originator for five years after closing customer's bank account/ completion of transfer without opening bank account. Article 4 of the RK Law on Postal Services authorizes postal service operators to perform the following types of activities and provide the following services: 1) Provide postal communication services; 2) Perform financial activities and provide financial services. RK Law No.206-V introduced amendments into Article 6 of the Law on Postal Services, according to which the RK National Bank oversees compliance by the National Postal Service Operator with the RK AML/CFT legislation **in course of performing financial activities and providing financial services**. According to Article 1(48) of the RK Law on Postal Services financial activities and financial services mean activities and services performed and provided by the **National Postal Service Operator** in the financial market in a manner established by the RK legislation. The designated government authority oversees compliance by the National Postal Service Operator with the RK AML/CFT legislation **in course of providing postal remittance services**. The designated government authority is the government postal communication agency (the Committee for Communications, Information and Information Technologies of the RK Investment and Development Ministry) that pursues, within the scope of powers vested in it, the government **postal communication** policy and oversees, coordinates and regulates activities of the postal service operators. According to the RK Law Article 9(2-1) of the RK Law on Government Regulation, Monitoring and Supervision of Financial Market and Financial Institution was revised to read as follows:

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		"2-1. The designated authority oversees **compliance by financial institutions and the National Postal Service Operator** with the RK AML/CFT legislation as it pertains to recording, retaining and reporting transactions with funds and (or) other property (assets) that are subject to financial monitoring, conducting due diligence with respect to customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring, ensuring **security of documents** obtained in course of their operations, and **arranging for and implementing the internal controls**, as prescribed by the RK legislation".
	4. There is no requirement for transmitting full originator information along the entire payment chain.	RK Law No.206-V introduced the following new paragraph 2 into Article 7 of the AML/CFT Law: "2. When effecting cashless payments and wire transfers ordered by customers, except for payments and transfers with the use of payment cards and in the situations specified in Article 5(3-1)(1), (2) and (5), the second-tier banks and institutions engaged in certain types of banking operations shall ensure that such transfers contain the following details (as required by the RK legislation) and that such details are transmitted to intermediary (if any) and beneficiary institutions: - Last names, first names and patronymics (if) any, or full or abbreviated names (in case legal entities) of payment/ transfer originator and beneficiary; - Individual identification codes of the payment/ transfer originator and beneficiary (when payment/ transfer is effected with the use of bank account), or reference number of payment/ transfer order (when payment/ transfer is effected without use of bank account); - Identification number or address of payment/transfer originator (in case of individuals and legal entities), or number of ID document of payment/ transfer originator (in case of individuals)". The second-tier banks and entities engaged in certain types of banking operations shall verify that **payments and transfers received from foreign financial institutions** contain the information specified in subparagraph 1 of this paragraph and shall also record

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		and retain information required for identification beneficiaries of wire transfers effected without use of bank account. Besides that, Law No.206-V introduced amendments into Article 1 of the RK Law on Payments and Fund Transfers, according to which **relationships associated with international payments and wire transfers** between the Kazakh banks and/or entities engaged in certain types of banking operations and foreign banks (financial institutions) are regulated by agreements signed between them and business practices applicable in the banking sector with due consideration for the requirements of the RK AML/CFT legislation. Where such payments/ wire transfers are arranged in and originate from Kazakh territory, the aforementioned relationships are regulated by this Law, the said agreements and business practices applicable in the banking sector, unless they contradict the RK legislation. If cross-border payments are arranged in and originate from the Kazakh territory, the requirements of the RK Law on Payments and Fund Transfers and the relevant regulations adopted in furtherance thereof, including the requirements set forth in Regulations No.179 and No.395, apply to such cross-border payments as they pertain to the arrangements and operations made in the territory of the Republic of Kazakhstan. The effected cross-border payments shall meet the requirements of the RK Law on Payments and Fund Transfers, shall contain information on payment originator and shall be effected by way of transmitting payment instruments. RK National Bank Board Resolution No.117 of April 26, 2013 amended the Instruction on Issuance, Use and Execution of Payment Orders, Payment Request-Orders and Collection Orders (adopted by RK National Bank Board Resolution No.179 of April 25, 2000) and the Instruction on Effecting Cashless Payments and Transfers without Opening Bank Account (adopted by RK National Bank Board Resolution No.395 of October 13, 2000). The introduced amendments oblige ordering, intermediary and beneficiary banks to retain information that allows for identifying originator and/or beneficiary as required by the AML/CFT Law and also information on payment or transfer effected by the originator

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		for five years after closing customer's bank account/ completion of transfer without opening bank account.
SR.VIII Non-Profit Organizations	1. No review of the NPO legislation has been undertaken for the AML/CFT purposes.	Under the auspices of the EAG, Kazakhstan conducted the typology research *Misuse of Non-Profit Organizations for Money Laundering* which studies the actual examples (cases studies) of detection by the FIUs of the CIS-member states of suspicious schemes related to financing of terrorism (extremism). This typology exercise has been undertaken for: - Identifying vulnerabilities in the activities the non-profit organizations are engaged in; - Identifying the most common offences in the NPO sector; - Determining criteria of suspicious activities of non-profit organizations; - Developing recommendations for preventing misuse of non-profit organizations for money laundering. In course of the research the questionnaire drafted by the FIU of Kazakhstan was circulated to all EAG-member states and EAG observers. The study was conducted with the use of information contained in the responses to the aforementioned questionnaire received from the following countries (as of October 22, 2012): - The Republic of Armenia (the EAG observer); - Ukraine (the EAG observer); - The USA (the EAG observer); - The Republic of Belarus (the EAG-member state); - The Russian Federation (the EAG-member state); - The Republic of Kazakhstan (the EAG-member state); - The Republic of Uzbekistan (the EAG-member state).
	2. No regular analysis of the NPO sector to identify FT risks has been conducted and no AML/CFT awareness-raising efforts have been undertaken.	***The RK Culture and Sports Ministry includes the Committee for Religious Affairs, which performs ongoing monitoring of activities of non-profit organizations. This involves the awareness-raising efforts and outreach to the NPO sector as well as***

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		various working meetings and workshops arranged and held for preventing activities of extremist organizations in Kazakhstan. Besides that, the hotline (phone number 114) has been established ***for providing assistance to victims of pseudo-religious sects and for preventing illicit religious activities***. ***COMMISSIONS*** ***The Council for Interaction with Non-Governmental Organizations was established under the Committee for Religious Affairs. The efforts undertaken by this Council are focused on:*** ***1. Developing proposals for formulating the government policy priorities in the area of religious activities and interaction with religious associations;*** ***2) Informing the Kazakh public on religious situation in the country and on compliance with the RK legislation pertaining to religious activity and religious associations;*** ***3) Engaging non-governmental organizations in public outreach efforts for raising public awareness of the government religious policy;*** ***4) Facilitating inter-confessional harmony, mutual understanding and public tolerance.*** The Law of 2015 introduced new paragraph 1-2 into the AML/CFT Law, which obliges "government authorities to analyze and monitor activities of non-profit organizations for identifying FT risks and report the findings to the designated government agency".
	3. A system for monitoring the activities of larger NPOs does not exist.	***RK Government Resolution No.1140 of July 27, 2000 adopted the Statue and Composition of the Council for Relations with Religious Organizations under the RK Government. Clause 2 of the Statute stipulates that the goal of the Council is development of proposals and recommendations for formulating and implementing the government policy priorities in the area of religious activities and interaction with***

		religious associations, strengthening of religious accord in the society and harmonization of inter-confessional relations. ***The main objectives of the Council include:*** ***1) Conducting comprehensive and impartial study, analysis and summarizing of religious situation and religious trends in the country;*** ***2) Elaborating proposals for formulating the government policy priorities in the area of religious activities and interaction with religious associations;*** ***3) Informing the RK government authorities on religious situation in the country and on compliance with the RK legislation pertaining to religious activity and religious associations;*** ***4) Coordinating the efforts undertaken by the local councils for relations with religious associations;*** ***6) Strengthening mutual understanding and tolerance among religious associations and rendering consultative assistance to them in compliance with the RK legislation.*** ***The Council discharges, within the scope of powers vested in it, the following functions:*** ***1) Takes part in formulation of the government policy priorities in the area of religious activities and interaction with religious associations;*** ***2) Elaborates proposals for improvement of the RK legislation pertaining to religious activity and religious associations;*** ***3) Provides consultations and advices regarding the government policy in the area of religious activities and interaction with religious association;*** ***4) Establishes and maintains international relationships with the relevant foreign organizations.*** ***Besides that, the RK Culture and Sports Ministry includes the Committee for Religious Affairs, which performs ongoing monitoring of activities of non-profit organizations. This involves the awareness-raising efforts and outreach to the NPO***

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		sector as well as various working meetings and workshops arranged and held for preventing activities of extremist organizations in Kazakhstan. ***Furthermore, the hotline (phone number 114) has been established for providing assistance to victims of pseudo-religious sects and for preventing illicit religious activities***. ***In addition to that, the efforts undertaken by the Council for Interaction with Non-Governmental Organizations established under the Committee for Religious Affairs are focused on:*** ***1. Developing proposals for formulating the government policy priorities in the area of religious activities and interaction with religious associations;*** ***2) Informing the Kazakh public on religious situation in the country and on compliance with the RK legislation pertaining to religious activity and religious associations;*** ***3) Engaging non-governmental organizations in public outreach efforts for raising public awareness of the government religious policy;*** ***4) Facilitating inter-confessional harmony, mutual understanding and public tolerance.*** The Law of 2015 introduced new paragraph 1-2 into the AML/CFT Law, which obliges "government authorities to analyze and monitor activities of non-profit organizations for identifying FT risks and report the findings to the designated government agency". Besides that, the Law of 2015 introduced new paragraph 3 into Article 20 of the Law on Non-Profit Organizations, according to which "a person included in the list of entities and individuals linked to financing of terrorism and extremism in compliance with the RK legislation is prohibited from being the founder (member) of a non-profit organization".
	4. No special mechanisms for the timely exchange of information on NPOs, both at a national and	According to the Suspicious Transaction Indicators (adopted by RK Government Resolution No.1484 (Annex 5)) all transactions with involvement of non-profit organizations are considered as suspicious ones. Pursuant to the AML/CFT legislation

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	international level, in case of suspicions of ML / FT are available.	entities that are subject to financial monitoring shall immediately report suspicious transactions to the designated government agency. According to the Requirements for AML/CFT Internal Control Rules developed for all types of entities that are subject to financial monitoring high level of risk shall be assigned to a customer that is NPO, or to a customer that/who is otherwise known to pose high ML/FT risk. Besides that, high level of risk is assigned to business relationships with individuals and legal entities from countries (territories): … that finance or support terrorist (extremist) activities, and in which the designated terrorist (extremist) organizations operate. In 2011, the Committee became the member of the Egmont Group of Financial Intelligence Units which enabled it to timely exchange information at the international level and cooperate at the operational level with foreign FIUs.
	5. The range of sanctions for violations of the law is too narrow, and is not used for AML / CFT.	According to Article 214 of the RK Code of Administrative Offences of 2014 breach by entities that are subject to financial monitoring of the RK AML/CFT legislation as it pertains to documenting, retaining and proving information on transactions that are subject to financial monitoring and their customers, performing due diligence on customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring and ensuring security of documents obtained in course of their operations – shall entail imposition of fine on individuals – amounting to one hundred monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and forty monthly calculated indices; on medium businesses – amounting to two hundred and twenty monthly calculated indices; and on large businesses – amounting to four hundred monthly calculated indices. 2. Failure by entities that are subject to financial monitoring to develop, adopt and (or) comply with the internal control rules and their implementation programs – shall entail imposition of fine on individuals – amounting to one hundred monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and sixty monthly calculated indices; on

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		medium businesses – amounting to two hundred and fifty monthly calculated indices; and on large businesses – amounting to nine hundred monthly calculated indices. 3. Tipping-off customers and other persons by the executive officers of entities that are subject to financial monitoring about information filed with the designated financial monitoring agency – shall entail imposition of fine amounting to one hundred and fifty monthly calculated indices. 4. Actions (inactions) specified in paragraphs 1 - 3 of this Article committed repeatedly during one year after imposition of the administrative penalty – shall entail imposition of fine on individuals – amounting to one hundred and fifty monthly calculated indices; on executive officers, notaries, lawyers, small businesses or non-profit organizations – amounting to one hundred and eighty monthly calculated indices; on medium businesses – amounting to three hundred monthly calculated indices; and on large businesses – amounting to one thousand and two hundred monthly calculated indices.
SR.IX Cross Border Declaration and Disclosure	1. The customs system as a whole is not used for AML/CFT-related purposes.	Articles 3 and 5 of the Agreement on Combating Money Laundering and Terrorist Financing during Transportation of Cash and (or) Financial Instruments across the Customs Border of the Customs Union ratified by RK Law No.47-V dated 25.10.2012 (hereinafter the Agreement) empower the customs authorities to temporarily freeze and store cash and (or) financial instruments transported across the border, and stipulate that such temporary freezing/ storage procedure is regulated by the national legislation. Pursuant to Article 16 of the RK Customs Code the customs authorities shall report the information declared/ disclosed to them in a manner prescribed by the AML/CFT Law. Paragraph 6 of Article 18 of the AML/CFT Law stipulates that information on importation to/ exportation from the Republic of Kazakhstan of cultural property, foreign cash, bearer securities, bills and cheques that are subject to financial monitoring, except for importation to/ exportation from the territory that is part of the Customs Union, shall be collected by the RK customs authorities which are obliged to further report such information to the designated financial monitoring agency.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
	2. The customs authorities are not empowered to seize or restrain funds where there is a suspicion of money laundering and terrorist financing.	Article 15 of the RK Customs Code empowers the customs authorities to conduct inquiries, detective operations and administrative proceedings only in respect of customs-related crimes and offences that are referred by law to the jurisdiction of the customs authorities. Pursuant to the RK Criminal Procedure Code of 2014 the economic investigation services is one of the inquiry agencies and its investigators are authorized to conduct inquiries in respect of crimes covered by Article 234(2)(2)(3) (Commercial Smuggling) and Article 286 (**Smuggling of Items Withdrawn from Circulation or Items with Limited Circulation**) of the RK Criminal Code of 2014. For ensuring temporary freezing and storing by the customs authorities of cash and (or) financial instruments suspected of being used for ML/FT as required by Articles 3 and 5 of the Agreement, the Customs Control Committee amends paragraph 11 of Article 192 of the RK Customs in order to empower the customs authorities to freeze and store cash. The new provisions read as follows: "In course of discharging the customs control functions the customs authorities shall, upon receipt of the relevant information from the law enforcement agencies and (or) the designated financial monitoring agency, take measures to temporarily freeze and store cash and (or) financial instruments transported across the Customs Union customs border in compliance with the international agreement ratified by the Republic of Kazakhstan. The procedure of temporary freezing, storage and return of cash and (or) financial instruments by the customs authorities shall be determined by the designated customs authority".
	3. No information about the structure of the customs authorities or the detailed statistics concerning the results of their work are available, making the evaluation of their effectiveness impossible.	Pursuant to Article 6 of the RK Customs Code the RK customs authorities are the government agencies that, within the scope of powers vested in them, discharge the customs functions in the Republic of Kazakhstan and other functions specified in the RK legislation. Structurally the system of customs authorities of the Republic of Kazakhstan consists of: 1) Designated customs authority; 2) Local offices of the designated customs authority (in regions, national-status cities and in the capital);

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		3) Customs stations; 4) Customs points; 5) Checkpoints at the Customs Union customs border; 6) Special customs institutions. As of January 1, 2013, the local customs authorities included 16 Customs Control Departments in Astana, Almaty and regions, 1 stand-alone customs station – *Dostyk* and 2 subordinated customs stations – *Korgas* and *Korday*. Besides that, located in the RK territory are 96 customs points, including 25 checkpoints along the perimeter of the Kazakh sector of the Customs Union external border.
	4. No information about international agreements concluded with other foreign customs authorities was provided. Also due to the lack of information, it was not possible to assess the degree of coordination between customs, immigration and other government agencies in regard to the fulfillment of the requirements of the reviewed recommendation.	Cooperation and coordination within the Customs Union and Common Economic Space On July 1, 2010, the Customs Code of the Customs Union was put into effect and the customs clearance procedures at the internal boundaries were cancelled. On July 1, 2011, the customs and other government controls were moved to the external border of the Customs Union. In January 2012, after the launch of the Common Economic Space (CES) in the territory of the Customs Union, the new supranational body – the Eurasian Economic Commission replaced the Customs Union Commission. Structurally, the new Commission consists of the Council and the Board. Their activities are governed by the Regulations according to which the Eurasian Economic Commission passes decisions that are binding and directly applicable in the territories of the Parties. The senior officials of the State Customs Committee of the Republic of Belarus, the Federal Customs Service of the Russian Federation and the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan take part in the monthly meetings of the Eurasian Economic Commission which considers and adopts international agreements and regulations drafted by the customs experts of these three countries. The Joint Customs Board of the member states has been established and operates in the Customs Union framework. In 2011-2012, the aforementioned Join Customs Board held 6 meeting to discuss and resolve vital issues pertaining to customs administration in the territory of the Customs Union.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		Cooperation and coordination within the Eurasian Economic Community (EAEC) By now, the Council of the Heads of Customs Services of the EAEC-member states held 43 meetings to consider and resolve a broad range of issues related to drafting, adopting and implementing international regulations aimed at pursuing coordinated customs policy of the EAEC-member states. Cooperation among the customs services of the EAEC-member states is basically implemented through the coordinated efforts aimed at standardization of the regulations and procedures of customs control and clearance of goods and transport vehicles, including equal right of individuals to cross the borders of the member states in a free manner and move goods and currency across these borders in unrestricted manner, and also at implementation of the unified customs regimes. Cooperation and coordination within the Commonwealth of Independent States (CIS) Customs cooperation with the SIC-member states is implemented within the framework of the Council of Heads of the CIS Customs Services. By now, this Council held 56 meetings. The basic international agreements that laid the foundation for further development and extension of customs cooperation among the CIS-member states have been developed and signed. Cooperation and coordination within the Shanghai Cooperation Organization (SCO) Within the framework of cooperation with the SCO-member states, Kazakhstan has signed three international agreements Cooperation and coordination within the World Customs Organization (WCO) The Republic of Kazakhstan joined the World Customs Organization in 1992, and cooperation with the WCO is one of the priorities of the foreign economic policy pursued by Kazakhstan.

Recommendations	*Summary of factors underlying the compliance rating*	*Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since June 2011 through July 2015)*
		On June 26, 2009, the Memorandum between the RK Ministry of Finance and the World Customs Organization on establishment of the WCO Regional Training Center in Astana was signed in the WCO headquarters (in Brussels). The said center was opened in December 2009 and taking part in the opening ceremony was the Kazakh Prime Minister. In June 2012, annual sessions of the Customs Cooperation Council were held in Brussels (Belgium). Interactions under cooperation with the People's Republic of China The RK develops and extends cooperation with China, which is one of the most important trading partners of Kazakhstan. Being witnessed in the trend toward increase in trade turnover and customs clearance of goods and individuals. Within the framework of cooperation with the Chinese customs services, being held were 7 meetings of the Subcommittee on customs cooperation between checkpoints of the Committee on Cooperation between Kazakhstan and China. Representative Offices Abroad The RK Customs Service has its representative offices in the Russian Federation, Belarus, Kyrgyzstan, Azerbaijan, Belgium and China. As part of the domestic cooperation and coordination, the RK customs authorities issued joint orders with the Kazakh law enforcement agencies, tax authorities, transport control authorities, agricultural and public health authorities and with the agencies in charge of regulation of national monopolies. In November 2012, the expert meeting on AML information exchange was held in Moscow. Pursuant to the draft Agreement on exchange of AML/CFT information related to movement of cash and (or) financial instruments across the Customs Union customs border new information provided by the designated authorities of the Parties in entered into the relevant database.

ANNEX 3

TABLE 1

Year	Number on STRs received by FIU		Number on CTRs received by FIU	Total number of reports received by FIU	Number of information transferred to law enforcement
	ML	FT			
2012	70,733	414	929,665	1,000,812	200
2013	306,226	982	1,076,514	1,383,722	264
2014	870,222	13,353	1,493,175	2,376,750	620

TABLE 2

Reporting entities	2012				2013				2014			
	Suspicious transaction reports		CTRs	Total number of reports	Suspicious transaction reports		CTRs	Total number of reports	CTRs		CTRs	Total number of reports
	ML	FT			ML	FT			ML	FT		
Financial institutions												
Banks	68,828	414	923,346	992,588	292,735	974	1,071,670	1,365,379	840,169	13,322	1,486,826	2,340,317
Insurance/reinsurance companies	-	-	6	6	32	-	6	38	96	3	3	102
Professional securities market participants	5	-	1668	1673	27	-	438	465	295	-	696	991
Persons engaged in the purchase or sale or conversion of foreign currency on a professional basis (exchange offices)			954	954	2		1091	1093	16		1508	1524
Commodities exchanges *(exchanges in RK)*					-	-	-	-	1	-	-	1
Non-financial businesses												

Casinos (including online casinos), gambling establishments with slot machines, electronic roulettes, betting terminals and bookmaker's offices	48	-	-	48	1	-	88	89	1	-	66	67
Private pension funds *before June 2014 in RK – NPF; after – ENPF and DNPF.*	-	-	2	2	-	-	17	17	2	-	12	14
Other persons carrying out transactions with funds or property												
Entities documentarily confirming or registering rights to movable and immovable property *(notaries in RK)*	1109	-	3199	4308	13,311	8	1,719	15,040	29,395	28	1,663	31,086
Postal and telegraph organizations providing money transfer services	-	-	347	347	21	-	652	673	-	-	1473	1473
Audit firms	743	-	143	886	97	-	831	928	247	-	928	1175

TABLE 3

Year	Investigations of law enforcement bodies				Legal proceedings								Confiscation and seizure of property			
	Initiated by law enforcement agencies on the basis of their own material		Initiated by law enforcement agencies on the basis of the FIU material		Cases examined in courts (on the basis of the law enf. material)				Cases examined in courts (containing FIU material)				ML		FT	
	ML	FT	ML	FT	ML		FT		ML		FT					
					Cases	Persons	Cases	Persons	Cases	Persons	Cases	Persons	Cases	Amounts	Cases	Sums
2012	3	5	39		5	8	1	6	4	6	1	42	4	Confiscation of personal property	1	2,225,230 tenge, 14,400 U.S. dollars, 1000 Uzbek soms, 10 Turkish liras confiscation of personal property
2013	39	6	44		4	5	4	8	4	5	4	8	4	488,193,400 tenge. confiscation of personal property; Seizure of 9 properties. Seizure of one residential flat in Almaty	4	Confiscation of personal property
2014	31	5	49		7	15	2	8	5	14	2	8	5	Confiscation of personal property	2	7300 U.S. dollars, 688,610 tenge, confiscation of personal property

TABLE 4

Information about requests and other measures		2012	2013	2014
MLA requests	**Sent**	7	20	
	Received	5		
	Executed	5	19	
	Refused			
Extradition requests	**Sent**	1		1
	Received	1		1
	Executed	2		2
	Refused			
Official requests for assistance through law enforcement	**Sent**			
	Received			
	Executed			
	Refused			
FIU ↔ FIU requests	**Requests sent/responses received**	49/49	111/107	66/60
	Requests received / Responses sent	44/44	62/62	68/68
Official requests for assistance sent or received by supervisory agencies	**Sent**			
	Received			

TABLE 5

Year	Freezing of assets pursuant to UNSCR 1267		
	Number of transactions frozen	Value of assets frozen	Number of individuals and organizations
2012			
2013			
2014			

TABLE 5.1

Year	Freezing of assets pursuant to UNSCR 1373		
	Number of transactions frozen	Number of transactions frozen	Number of transactions frozen
2012	4	1000 Euro 10,887 U.S. dollars	
2013	11	872,509,000 tenge, 15,486 U.S. dollars 36,300 rubles	
2014	60	130,144,557 tenge, 12,423,000 U.S. dollars 50,988 Euro 6,500 rubles	

TABLE 6

2012

	2012										
	Number of inspections performed		Number of inspections having identified AML/CFT infringements	Measures taken							
	On-site	In office		Written warnings	Instructions to eliminate infringements identified	Fines		Management suspension (disqualification of management)	Ban on engagement in certain types of activities	Suspension of activity/ license	Revocation of license
						Number	Amounts				
Banks	9		3	1		3	1,738,450		yes	3 licenses	
Financial institutions											
Credit institutions and their branches	2		1	1							
Insurance/reinsurance companies	12										
Professional securities market participants	10										
Persons engaged in the purchase or sale or conversion of foreign currency on a professional basis (exchange offices)	101		2			2	669,800				

Commodities exchanges *(exchanges in RK)*							1,262,040				
Other persons carrying out transactions with funds or property											
Entities documentarily confirming or registering rights to movable and immovable property *(notaries in RK)*	560		13			9	2,912,400				

2013

	2013										
	Number of inspections performed		Number of inspections having identified AML/CFT	Measures taken							
	On-site	In office		Written warnings	Instructions to eliminate infringements identified	Fines		Management suspension (disqualification of management)	Ban on engagement in certain types of activities	Suspension of activity/ license	Revocation of license
						Number	Amounts				
Banks	12		10			10	6,193,450		yes	9 licenses	
Financial institutions											
Credit institutions and their branches	2										

Insurance/reinsurance companies	12										
Professional securities market participants	9		8			4	2,163,750				
Persons engaged in the purchase or sale or conversion of foreign currency on a professional basis (exchange offices)	206		5			5	1,875,260				
Other persons carrying out transactions with funds or property											
Entities documentarily confirming or registering rights to movable and immovable property *(notaries in RK)*	1 126		56			55	19,137,800				
Casinos*	18		3			3	1,142,460				
Audit firms**	87										

Footnote: *The audit period for audit firms is 3 years. Audits of 2014-2016 periods will be conducted in 2016.

** Akimat of the Almaty region Resolution No. 223 dated December 14, 2009 designated the coastal area along the Kapchagay Reservoir as a gambling zone; Akimat of the Akmola region Resolution No. A-4/129 dated March 26, 2009 designated an area in the Burabay district of the Akmola region as a gambling zone.

2014

	2014											
	Number of inspections performed		Number of inspections having identified AML/CFT	Measures taken								
	On-site	In office		Written warnings	Instructions to eliminate infringements identified	Fines		Management suspension (disqualification of management)	Ban on engagement in certain types of activities	Suspension of activity/ license	Revocation of license
						Number	Amounts				
Banks	12		9			25	11,372,920				
Financial institutions											
Credit institutions and their branches	2										
Insurance/reinsurance companies	14										
Professional securities market participants	12		12			23	3,426,200				
Persons engaged in the purchase or sale or conversion of foreign currency on a professional basis (exchange offices)	254		13		3	38	14,511,960				
Other persons carrying out transactions with funds or property											
Entities documentarily confirming or registering rights to movable and immovable property *(notaries in RK)*	422		21			22	8,140,800 tenge				

TABLE 7

Year	Financial investigations conducted by FIU		Revealed connection to ML/FT as a result of data provided by reporting entities		Revealed connection to ML/FT through other means (FIUs financial investigation, information of law enforcement bodies)		Information transferred to law enforcement agencies	
	ML	FT	ML	FT	ML	FT	ML	FT
2012	89	50	25	12	49	12	138	62
2013	119	69	28	26	60	16	179	85
2014	132	77	162	60	39	72	333	287

ANNEX 4

Law on Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorism

Law No.191-IV of the Republic of Kazakhstan dated August 28, 2009

Footnote: The name of the Law is amended by RK Kaw No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

CONTENTS

Note by the National Legal Information Center!
See Article 21 for the Procedure for Entry into Force.

This Law establishes the legal framework for combating legalization (laundering) of proceeds obtained through crime and financing of terrorism and defines legal relationships among entities that are subject to financial monitoring, the designated government agency and other government authorities of the Republic of Kazakhstan pertaining to combating legalization (laundering) of proceeds obtained through crime and financing of terrorism.

Footnote: The Preamble is amended by RK Kaw No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

Chapter 1. GENERAL PROVISIONS

Article 1. Basic Terms Used in the Law

The following basic terms are used in this Law:

1) Suspicious transaction with funds and (or) other assets (hereinafter suspicious transaction) – a customer's transaction (including attempted transaction, transaction which is underway, or completed transaction) that raises suspicion that funds and (or) other assets used for the transaction are proceeds of criminal activity or the transaction itself is aimed at the legalization (laundering) of proceeds obtained through crime or at financing of terrorism or other criminal activities;

2) Transactions o with funds and (or) other assets – actions with funds and (or) other assets, irrespective of their form or method used, undertaken by individuals and legal entities to establish, change or terminate civil rights and obligations associated therewith;

Note by the National Legal Information Center!

New subparagraph 2-1 is added to Article 1 by RK Law No.234-V of 02.08.2015 (comes into force upon expiration of six months after its first official publication).

Note by the National Legal Information Center!

New subparagraph 2-2 is added to Article 1 by RK Law No.234-V of 02.08.2015 (comes into force on January 1, 2017).

3) Beneficial owner – an individual who directly or indirectly owns over twenty five percent interest in the authorized capital or of outstanding shares (net of preferred and repurchased shares) of a corporate customer, as well as an individual who otherwise exercises control over a customer, or for whose benefit a customer carries out transactions with funds and (or) other assets;

4) Customer – an individual or a legal entity served by an entity that is subject to financial monitoring;

5) Correspondent relationships – contractual relationships established in a situation where banks and institutions engaged in certain types of banking operations open correspondent accounts with other banks for carrying out transactions related to provision of banking services;

6) Shell bank – a non-resident bank that has no physical presence in a country (territory) in which it is incorporated as the bank and (or) is licensed to perform banking activities, unless such bank is directly or indirectly owned by a banking holding company that is subject to consolidated supervision in the country (territory) in which it is registered;

7) Financial monitoring – a combination of measures undertaken by the designated government agency and entities that are subject to financial monitoring in compliance herewith for collecting, analyzing and using information and data on transactions with funds and (or) of the assets;

8) Transactions that are subject to financial monitoring – transactions with funds and (or) other assets that are subject to financial monitoring hereunder;

9) Encashment of funds obtained through crime – actions undertaken by individuals or legal entities for withdrawing cash by using documents for carrying out a fraudulent transaction for money laundering purpose;

10) Proceeds obtained through crime – funds and (or) other assets obtained through the commission of a criminal offence;

11) Legalization (laundering) of proceeds obtained through crime – integration of funds and (or) other assets obtained through crime, into legal circulation through transactions involving conversion or transfer of assets which are the proceeds of criminal offences, and also concealment or disguise of the true nature, source, location, disposition, movement, ownership of or rights with respect to assets, knowing that such assets are the proceeds of criminal offences, as well as ownership or use of such assets, or intermediation in laundering funds and (or) other assets obtained through crime;

11-1) Government AML/CFT policy – legal, administrative and organizational measures aimed at mitigation of ML and FT risks as well as other measures provided for herein;

12) Financing of terrorism – provision or collection of funds and (or) other assets, granting title to assets or benefits therefrom as well as transfer by way of gift, exchange, donation, sponsor and charity support, provision of information and other services or provision of financial services to an individual or to a group of individuals or to a legal entity by a person who has been aware of terrorist nature of their activities or has known that the provided assets and rendered information, financial and other services will be used for pursuing terrorist activity or for supporting a terrorist group, terrorist organization and illegal armed group;

Note by the National Legal Information Center!

New subparagraph 12-1 is added Article 1 by RK Law No.234-V of 02.08.2015 (comes into force on January 1, 2017).

13) Designated government agency – the government authority that performs financial monitoring and takes other AML/CFT measures in compliance herewith;

14) Foreign public official – an person who is appointed or elected to, or holds any position in legislative, executive, administrative, judicial bodies or in the armed forces of a foreign country;

Any person who discharges any public functions for a foreign country;

A person who holds managerial position in organizations established by countries under agreements having the status of international treaties;

15) Foreign competent authority – authority of a foreign country that discharges AML/CFT functions in compliance with its national legislation;

16) Physical presence – a place of business of a bank at a permanent address (apart from mailbox address or email address), where bank executive bodies and staff sit, banking records and documents are kept, and inspections/audits are conducted by a designated government authority that issued the banking license to a non-resident bank;

17) Business relationships – relationships with customers established in course of professional activities carried out by an entity that is subject to financial monitoring.

Footnote: Article 1 is amended by RK Law No.206-V of 10.06.2014 (see Article 2 for the procedure for entry into force), by RK Law No.227-V of 03.07.2014 (comes into force on 01.01.2015), by RK Law No.244-V of 03.11.2014 (comes into force on 02.01.2015) and by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of ten calendar days after its first official publication).

Article 2. AML/CFT Legislation of the Republic of Kazakhstan

Footnote: The name of Article 2 is amended by RK Kaw No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

1. The RK legislation pertaining to combating legalization (laundering) of proceeds obtained through crime and financing of terrorism is based on the Constitution of the Republic of Kazakhstan and consists of this Law and other regulations of the Republic of Kazakhstan.

2. Where the provisions of an international treaty ratified by the Republic of Kazakhstan differ from those set forth herein, the provisions of the international treaty shall apply.

Footnote: Article 2 is amended by RK Kaw No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

CHAPTER 2. PREVENTION OF LEGALIZATION (LAUNDERING) OF PROCEEDS OBTAINED THROUGH CRIME AND FINANCING OF TERRORISM

Footnote: The name of Chapter 2 is amended by RK Kaw No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

Article 3. Entities that are Subject to Financial Monitoring

1. For the purpose of this Law entities that are subject to financial monitoring include:

1) Banks and institutions engaged in certain types of banking operations, except for the interbank funds transfer system operator;

2) Stock and commodity exchanges;

3) Insurance (reinsurance) institutions and insurance brokers;

4) The unified pension savings fund and voluntary pension savings funds;

5) Professional securities market players and the central depository;

6) Notaries that provide notarial services related to transaction with funds and (or) other assets;

7) Lawyers and other independent legal professionals – in situation where they carry out, on behalf or at the direction of customers, transactions with funds and (or) other assets related to:

- purchase and (or) sales of real estate property;
- management of customer’s funds, securities or other assets;
- management of bank or securities accounts;

- accumulation of funds for establishing, maintaining, operating or managing companies;

- establishment, purchase, sales, operation or management of legal entities;

8) Accounting organizations, independent accounting professionals engaged in entrepreneurial activities in the accounting sector, and audit firms;

9) Gambling and lottery operators;

10) Postal service operators that render remittance services;

11) Microfinance organizations;

12) Non-bank e-money operators.

Note by the National Legal Information Center!

New subparagraphs 13, 14, 15, 16 and 17 are added to paragraph 1 by RK Law No.234-V of 02.08.2015 (comes into force on January 1, 2017).

2. The government authorities of the Republic of Kazakhstan do not fall into the category of entities that are subject to financial monitoring.

Note by the National Legal Information Center!

New paragraph 3 is added to Article 3 by RK Law No.234-V of 02.08.2015 (comes into force on January 1, 2017).

Footnote: Article 3 is amended by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of ten calendar days after its first official publication), by by RK Law No.106-V of 21.06.2013 (comes into force upon expiration of ten calendar days after its first official publication) and by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of six months after its first official publication).

Article 4. Transactions with Funds and (or) Other Assets that are Subject to Financial Monitoring

Note by the National Legal Information Center!

Paragraph 1 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

1. Transaction with funds and (or) other assets is subject to financial monitoring if, due to its nature, it relates to one of the transaction types specified in paragraph 2 of this Article, and is carried out with the use of cash, except for transactions listed in subparagraphs 6, 7, 9, 11 and 18 of Article 4(2), in amount that is equal to or exceeds:

- 1,000,000 tenge or foreign currency equivalent – applies to transactions specified in subparagraph 1 of Article 4(2);

- 2,000,000 tenge or foreign currency equivalent – applies to transactions specified in subparagraphs 6 and 7 of Article 4(2);

- 6,000,000 tenge or foreign currency equivalent – applies to transactions specified in subparagraph 9 of Article 4(2);

- 7,000,000 tenge or foreign currency equivalent – applies to transactions specified in subparagraphs 2, 3, 5, 11–14, 16 and 17 of Article 4(2);

- 30,000,000 tenge or foreign currency equivalent – applies to transactions specified in subparagraphs 10 and 15 of Article 4(2);

- 150,000,000 tenge or foreign currency equivalent – applies to transactions specified in subparagraph 18 of Article 4(2);

- 45,000,000 tenge or foreign currency equivalent – applies to transactions specified in subparagraph 19 of Article 4(2).

Where a transaction is carried out with the use of foreign currency, the amount of foreign currency equivalent shall be calculated using the market exchange rate fixed at the transaction date in compliance with the RK legislation.

2. Transactions with funds and (or) other assets that are subject to financial monitoring include:

1) Receiving bet, gambling (at gambling venues) and lottery winnings, including those run online;

2) Purchasing, selling and exchanging foreign currency cash at exchange offices;

Note by the National Legal Information Center!

Subparagraph 3 was amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

3) Cashing cheques and bills – as a one-off transaction or as a transaction carried out during seven consecutive calendar days;

4) Subparagraph 4 is deleted by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of three months after its first official publication);

Note by the National Legal Information Center!

Subparagraph 5 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

5) Withdrawing or depositing funds from/to customer’s bank account - as a one-off transaction or as a transaction carried out during seven consecutive calendar days;

Note by the National Legal Information Center!

Subparagraph 6 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

6) Crediting or transferring funds to customer’s bank account by an individual or a legal entity who/that is registered, resides or is located in offshore zone and (or) who/that has an account opened with a bank registered in offshore zone, or transferring funds by a customer for the benefit of individuals and legal entities - as a one-off transaction or as a transaction carried out during seven consecutive calendar days;

Note by the National Legal Information Center!

Subparagraph 7 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

7) Transferring funds abroad to bank (deposit) accounts opened under fictitious names as well as transferring funds from abroad from bank (deposit) accounts opened under fictitious names - as a one-off transaction or as a transaction carried out during seven consecutive calendar days;

8) Subparagraph 8 is deleted by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of three months after its first official publication);

9) Payments and funds transfers made by a customer on a grant basis for the benefit of other person;

10) Purchase (sales) and exportation from or importation to the Republic of Kazakhstan of cultural property;

11) Transactions carried out by legal entities that were registered by the government authorities less than three months ago;

12) Importation to or exportation from the Republic of Kazakhstan of foreign cash, bearer securities, bills and cheques, except for exportation/ importation by the RK National Bank, banks and the National Postal Service Operator;

13) Paying insurance premium or receiving insurance compensation;

14) Depositing and transferring voluntary pension contributions to the unified pension savings fund and (or) voluntary pension savings fund, and making pension payments from voluntary pension contributions accumulated in the unified pension savings fund and (or) in voluntary pension savings fund;

15) Receiving and providing assets under a financial leasing agreement;

16) Transactions involving provision of contactor, transportation, freight forwarding, storage, agent and trust management services, except for services involving lease of safe deposit boxes;

Note by the National Legal Information Center!

Subparagraph 17 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

17) Purchasing, selling and carrying out other transactions with precious metals, precious stones and articles made thereof;

18) Transactions with real estate and other property/ assets that are subject to mandatory government registration;

Note by the National Legal Information Center!

Subparagraph 19 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

19) Transactions with securities.

Note by the National Legal Information Center!

New subparagraphs 20 and 21 are added to paragraph 2 by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

3. Suspicious transactions that may be or have been performed shall be subject to financial monitoring irrespective of their form or amount.

The suspicious transactions indicators are adopted by the Government of the Republic of Kazakhstan.

4. Grounds for mandatory examination by entities that are subject to financial monitoring, of customer transactions and recording the results of such examination in accordance with Article 5 hereof are as follows:

1) Complex, exceptionally large transaction with funds and (or) other assets or transaction that has no obvious economic or visible lawful purpose carried out by a customer;

2) Customer’s actions aimed at avoiding the CDD and (or) financial monitoring measures prescribed hereby;

3) Customer’s transaction with funds and (or) other assets that is reasonably believed to be carried out for converting funds obtained through crime into cash;

4) Transaction with funds and (or) other assets, the party to which is a person registered (residing) in a country (territory) that does not comply with the Recommendations of the Financial Action Task Force (FATF) as well as transaction carried out with the use of account opened with a bank registered in such country (territory).

The list of countries (territories) that do not or insufficiently comply with the Recommendations of the Financial Action Task Force (FATF) is compiled by the designated government agency with due consideration for documents issued by the FATF and is posted on the website of the designated government agency.

Footnote: Article 4 is amended by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of three months after its first official publication), by RK Law No.106-V of 21.06.2013 (comes into force upon expiration of ten calendar days after its first official publication), by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of six months after its first official publication) and by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of ten calendar days after its first official publication).

Article 5. Customer Due Diligence Conducted by Entities that are Subject to Financial Monitoring

1. Entities that are subject to financial monitoring shall conduct due diligence in respect of their customers (their representatives) and beneficial owners in compliance with the AML/CFT legislation of the Republic of Kazakhstan.

2. Entities that are subject to financial monitoring shall conduct due diligence in respect of their customers (their representatives) and beneficial owners when:

1) Establishing business relationship with a customer;

2) Carrying out transactions with funds and (or) other assets that are subject to financial monitoring, including suspicious transactions;

3) There are reasonable doubts about veracity of previously obtained information on a customer (his/her/its representatives) and beneficial owners.

3. Due diligence conducted by entities that are subject to financial monitoring on their customers (their representatives) and beneficial owners shall include implementation of the following measures:

1) Recording data required for identification of an individual: details of his/her ID document, personal identification number (except where personal identification number has not been assigned to an individual under the legislation of the Republic of Kazakhstan) and legal address;

2) Recording data required for identification of a legal entity (branch, representative office): details of the government (record) registration (re-registration) certificate of a legal entity (branch, representative office), business identification number (except where business identification number has not been assigned to a legal entity under the legislation of the Republic of Kazakhstan) or registration number of non-resident legal entity in a foreign country, and business address;

2-1) Identifying beneficial owner and recording data required for his/her identification in compliance with subparagraph 1 of Article 5(3), except for legal address.

In order to identify the beneficial owner of a corporate customer, an entity that is subject to financial monitoring shall determine the ownership and control structure of such customer using its instruments of incorporation and the register of shareholders, or information obtained from other sources.

If the measures undertaken under this subparagraph fail to identify the beneficial owner of a corporate customer, the sole executive body or the head of the executive board of such corporate customer may be recognized as the beneficial owner.

Data required for identifying a beneficial owner shall be recorded based on the information and (or) documents provided by a customer (or its representative) or obtained from other sources.

3) Subparagraph 3 is deleted by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of six months after its first official publication);

4) Establishing intended purpose and nature of business relationship;

5) Conducting ongoing monitoring of business relationship and examining transactions carried out by a customer through a given entity that is subject to financial monitoring, inter alia, by obtaining and recording information on source of funds used in conducted transactions;

6) Verifying veracity of and updating information on customer (his/her/its representatives) and beneficial owner.

Veracity of information required for identification of a customer (his/her/its representative) and beneficiary owner shall be verified by cross-checking such information against the original documents or notarized copies thereof or against data from the available sources.

As for a customer’s representative, authority and powers of such person to act on behalf and/or in the interests of the customer shall be additionally verified.

Data shall be updated if there are grounds to doubt the veracity of previously obtained customer and beneficial owner information, as well as in the situations specified in the internal control rules.

3-1. Measures provided for in this Article may not be undertaken in the following situations:

1) When unidentified individual owners of electronic money acquire and spend electronic money in amount not exceeding that provided for in Article 36-2(4) of the RK Law on Payments and Fund Transfers;

2) When an individual customer deposits, via cash acceptance device, funds into individual's bank account in amount not exceeding 500,000 tenge or foreign currency equivalent;

3) When a customer makes non-cash payment or transfers funds without opening bank account in amount not exceeding 2,000,000 tenge or foreign currency equivalent, unless such transaction is suspicious one;

4) When an individual customer acquires, sells or exchanges foreign currency cash through exchange office in amount not exceeding 2,000,000 tenge or foreign currency equivalent, unless such transaction is suspicious one;

5) When an individual customer carries out transaction in amount not exceeding 200,000 tenge or foreign currency equivalent using a payment card other than account access device.

4. Entities that are subject to financial monitoring shall conduct due diligence in respect of their customers (their representatives) and beneficial owners in compliance with the internal control rules.

5. Entity that is subject to financial monitoring shall be authorized to request a customer (his/her/its representative) to provide information and documents required for identification of such customer (his/her/its representative) and for identification of beneficial owners and also to provide information on tax residency, nature of business and transaction funding source.

Customers (their representatives) are obliged to provide entities that are subject to financial monitoring with information and documents, including information regarding beneficial owners, needed for discharging the obligations established herein.

Note by the National Legal Information Center!

The first sentence of paragraph 6 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

6. Entities that are subject to financial monitoring listed in subparagraphs 1-5, 11 and 12 of Article 3(1) hereof may rely on measures provided for in subparagraphs 1, 2 and 4 of Article 5(3) hereof undertaken by other entities that are subject to financial monitoring and by foreign financial institutions, subject to the following conditions:

Note by the National Legal Information Center!

Subparagraph 1 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

1) Entity that is subject to financial monitoring that relies on CDD measures undertaken by other entity that is subject to financial monitoring or by a foreign financial institution shall immediately receive information on a customer (his/her/its representative) and beneficial owner, including copies of supporting documents, obtained through implementation of measures specified in subparagraphs 1, 2 and 4 of Article 5(3) hereof;

2) Entity that is subject to financial monitoring that relies on CDD measures undertaken by a foreign financial institution shall ascertain that operation of such foreign financial institution is subject to regulation and supervision in a country of its registration, and that it undertakes CDD measures similar to those set forth herein.

Note by the National Legal Information Center!

New paragraph 7 is added to Article 5 by RK Law No.234-V of 02.08.2015 (comes into force upon expiration of six months following its first official publication).

Footnote: Article 5 is amended by RK Law No.19-V of 21.06.2012 (comes into force after expiration of ten calendar days after its first official publication) and by RK Law No.206-V of 10.06.2014 (see Article 2 for the procedure for entry into force).

Article 6. CDD Measures Undertaken by Entities that are Subject to Financial Monitoring when Establishing Business Relationships with Customers

Except for the situations specified in Article 5(3-1) hereof, entities that are subject to financial monitoring shall undertake measures provided for in subparagraphs 1-4 of Article 5(3) hereof prior to establishing business relationships with customers.

Footnote: Article 6 is amended by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after their first official publication).

Article 7. CDD Measures Undertaken by Entities that are Subject to Financial Monitoring when Carrying out Transactions with Funds and (or) Other Assets that are Subject to Financial Monitoring

Note by the National Legal Information Center!

Paragraph 1 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

1. Prior to carrying out transactions with funds and (or) other assets that are subject to financial monitoring in compliance with Article 4 hereof, entities that are subject to financial monitoring shall undertake measures provided for in subparagraphs 1-4 of Article 5(3) hereof, unless these measures have been already undertaken in course of establishment of business relationship.

2. When effecting cashless payments and wire transfers ordered by customers, except for payments and transfers with the use of payment cards and in the situations specified in subparagraphs 1, 2 and 5 of Article 5(3-1) hereof, the second-tier banks and institutions engaged in certain types of banking operations shall ensure that such transfers contain the following details required by the RK legislation and that such details are transmitted to intermediary (if any) and beneficiary institutions:

- Last names, first names and patronymics (if) any, or full or abbreviated names (in case legal entities) of payment/ transfer originator and beneficiary;
- Individual identification codes of the payment/ transfer originator and beneficiary (when payment/ transfer is effected with the use of bank account), or reference number of payment/ transfer order (when payment/ transfer is effected without use of bank account);
- Identification number or address of payment/transfer originator (in case of individuals and legal entities), or number of ID document of payment/ transfer originator (in case of individuals).

The second-tier banks and entities engaged in certain types of banking operations shall verify that payments and transfers received from foreign financial institutions contain the information specified in subparagraph 1 of this paragraph, and shall also record and retain information required for identification beneficiaries of wire transfers effected without use of bank account.

Footnote: Article 7 is amended by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of six months after its first official publication).

Article 8. CDD Measures Undertaken by Entities that are Subject to Financial Monitoring in Respect of Foreign Public Officials

In addition to measures specified in Article 5(3) hereof, entities that are subject to financial monitoring shall also undertake the following measures in respect of foreign public officials:

1) Verify whether a customer is and (or) is associated with a foreign public official, his/her family members and close relatives;

2) Assess the reputation of such foreign public official to establish whether he/she has been involved in/ related to ML/FT;

3) Obtain senior management approval for establishing and (or) maintaining business relationships with such customers;

4) Take available measures for identifying source of funds.

Footnote: Article 8 is amended by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

Article 9. Due Diligence Measures Undertaken by Entities that are Subject to Financial Monitoring when Establishing Correspondent Relationships with Foreign Financial Institutions

When establishing correspondent relationships with foreign financial institutions, the entities that are subject to financial monitoring listed in subparagraph 1 of Article 3(1) hereof, apart from undertaking measures specified in Article 5(3) hereof, shall be additionally obliged to:

Note by the National Legal Information Center!

Subparagraph 1 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its first official publication).

1) Collect and document (set forth in writing) information on reputation and on nature of a business of a foreign respondent financial institution, including information on whether it has been subject to sanctions for breaching the AML/CFT legislation of a country of its incorporation/registration;

2) Document (set forth in writing) information on the AML/CFT internal controls implemented by a foreign respondent financial institution in compliance with the legislation of a country of its incorporation/registration, and also assess effectiveness of the implemented internal controls;

Note by the National Legal Information Center!

New paragraph 2-1 is added to Article 9 by RK Law No.234-V of 02.08.2015 (comes into force upon expiration of six months after its first official publication).

3) Not to establish and maintain correspondent relationships with shell banks;

4) Ascertain that a foreign respondent financial institution does not permit its accounts to be used by shell banks;

5) Obtain senior management approval for establishing new correspondent relationships.

Whether or not a foreign respondent financial institution has correspondent relationships with shell banks shall be determined based on the information provided by a foreign respondent financial institution and (or) obtained by an entity that is subject to financial monitoring from other sources.

Footnote: Article 9 is amended by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

Article 10. Collection of Information and Documentary Evidence in Course of CDD

1. When undertaking CCD measures, entities that are subject to financial monitoring shall record (set forth in writing) the customer information as per the list of documents required for conducting CDD by the relevant entities that are

subject to financial monitoring. This list is developed by the designated government agency in coordination with the relevant government authorities.

2. Entities that are subject to financial monitoring shall submit information on and details of transactions that are subject to financial monitoring to the designated government agency using the template that includes the following sections: background information, information of entity that is subject to financial monitoring, information on transaction and on parties thereto, and additional information of transaction that is subject to financial monitoring. This template is developed in compliance with the regulations adopted by the Government of the Republic of Kazakhstan.

Information on and details of transactions that are subject to financial monitoring listed in paragraphs 1 and 2 of Article 4 hereof shall be documented (set forth in writing) and filed in the Kazakh or Russian language with the designated government agency in the following manner:

Note by the National Legal Information Center!

Subparagraph 1 is amended by RK Law No.343-V of 02.08.2015 (comes into force on 01.01.2017).

1) Entities listed in subparagraphs 1 – 5 and 10 of Article 3(1) hereof, except for legal entities that are exclusively engaged in foreign exchange transactions, shall file the said information and details electronically via the dedicated communication channels not later than the next business day following transaction completion date;

Note by the National Legal Information Center!

Subparagraph 2 is deleted by RK Law No.343-V of 02.08.2015 (comes into force on 01.01.2017).

2) Legal entities that are exclusively engaged in foreign exchange transactions shall file the said information and details electronically via the dedicated communication channels or in hard copy not later than the next business day following transaction completion date;

Note by the National Legal Information Center!

Subparagraph 3 is amended by RK Law No.343-V of 02.08.2015 (comes into force on 01.01.2017).

3) Entities listed in subparagraphs 6 – 9, 11 and 12 of Article 3(1) hereof shall file the said information and details electronically via the dedicated communication channels or in hard copy not later than the next business day following transaction completion and (or) detection date.

3. The following entities are exempt for the requirement pertaining to submission of information on and details of transactions that are subject to financial monitoring:

1) Lawyers, when such information and details are obtained in connection with rendering legal assistance related to representation and defense of individuals and legal entities in inquiry and preliminary investigation agencies and in courts, and also in connection with provision of consultations, clarifications, advices and written opinions on issues that require professional knowledge and drafting claims, complaints and other legal documents;

2) Notaries, when they render legal assistance related to provision of consultations and clarification on issues that require professional knowledge.

3-1. The designated government agency shall be authorized to request entities that are subject to financial monitoring to provide necessary data, documents and information needed for analyzing information received in compliance herewith.

For the purposes specified in subparagraph 1 of Article 18(2) and Article 19(2) hereof, the designated government agency shall request entities that are subject to financial monitoring to provide necessary data, documents and information.

Entities that are subject to financial monitoring shall be obliged to provide necessary data, documents and information requested by the designated government agency within three business days following receipt of the relevant request.

Entities that are subject to financial monitoring shall be obliged to provide necessary data, documents and information requested by the designated government agency in connection with analysis of suspicious transactions within one business days following receipt of the relevant request.

If processing of a request requires additional time, the designated government agency may extend, at written request of an entity that is subject to financial monitoring, the timelines set forth in subparagraph 3 of this paragraph, but for no longer than ten business days.

The designated government agency shall not be authorized to request data, documents and information related to transactions that have been completed prior to enactment of this Law, except for data, documents and information that shall be submitted under the international treaty ratified by the Republic of Kazakhstan.

4. Expenses related to submission to the designated government authority of information on transactions that are subject to financial monitoring obtained through CDD shall be borne by entities that are subject to financial monitoring.

Footnote: Article 10 is amended by RK Law No.19-V of 21.06.2012 (see Article 2 for the procedure for entry into force), by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of six months after its first official publication) and by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of ten calendar days after its first official publication).

Article 11. Implementation of Internal Controls by Entities that are Subject to Financial Monitoring

1. Entities that are subject to financial monitoring shall take measures to ensure that their services are not misused by other persons for committing or assisting in commission of ML and FT.

2. In order to prevent ML and FT, entities that are subject to financial monitoring shall develop internal control rules and internal controls implementation programs and shall be responsible for compliance with the rules and for implementation of the programs.

3. The internal control rules shall be developed, adopted and used by entities that are subject to financial monitoring and, apart from requirements for implementing internal controls by entities that are subject to financial monitoring in compliance herewith, shall also include:

- AML/CFT internal control arrangement program;
- ML/FT risk management program covering customer risks and risks of misuse of services for criminal purposes, including risks of misuse of technological developments;
- Customer identification program;
- Customer transaction examination and monitoring program, including examination of complex, exceptionally large and other unusual transactions;
- AML/CFT training program for employees of entities that are subject to financial monitoring;
- Other programs that may be developed by entities that are subject to financial monitoring in compliance with the internal control rules.

3-1. Entities that are subject to financial monitoring shall ensure compliance with the internal control rules and their implementation programs by their branches, subsidiaries and representative offices located both in the Republic of Kazakhstan and abroad, unless it contradicts the legislation of their respective host countries.

Entities that are subject to financial monitoring shall inform the designated government agency and the supervisory and oversight authority when their foreign branches, subsidiaries and representative offices are unable to comply with the internal control rules and their implementation programs because it contradicts the legislation of their respective host countries.

3-2. The Requirements for AML/CFT Internal Control Rules of each type of entities that are subject to financial monitoring shall be developed and adopted by the joint regulations of the designated government agency and the relevant government authorities, except for entities listed in subparagraphs 7, 8 and 12 – 16 of Article 3(1) hereof, for which the Requirements for AML/CFT Internal Control Rules shall be established by the regulation of the designated government agency.

4. Entities that are subject to financial monitoring shall retain documents and information obtained through the CDD measures, including customer file and business correspondence, for at least five years after termination of business relationship with a customer.

Entities that are subject to financial monitoring shall retain documents and information on transactions with funds and (or) other assets that are subject to financial monitoring and on suspicious transactions as well as findings obtained as a result of examination of all complex, exceptionally large and other unusual transactions for at least five years after completion of a transaction.

5. It shall be prohibited for entities that are subject to financial monitoring and their personnel to tip-off customers and other persons about filing data, documents and information on such customers and on transactions carried out by them with the designated government authority in compliance herewith.

6. Submission by entities that are subject to financial monitoring of data, documents and information to the designated government agency for the purposes and in a manner set forth herein shall not constitute illegal disclosure of official, commercial, banking or other secrets protected by the law.

7. Entities that are subject to financial monitoring and their executive officers shall not be held liable under the RK legislation and commercial contracts for filing data, documents and information in compliance herewith, irrespective of the outcomes of such reporting.

8. The personnel training and education requirements for entities that are subject to financial monitoring shall be adopted by the designated government agency in coordination with the relevant government authorities.

Footnote: Article 11 is amended by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of three months after its first official publication), by RK Law No.206-V of 10.06.2014 (see Article 2 for the procedure for entry into force) and by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of ten calendar days after its first official publication).

Note by the National Legal Information Center!

New Article 11-1 is added to Chapter 2 by RK Law No.343 of 02.08.2015 (comes into force on 01.01.2017).

Note by the National Legal Information Center!

Article 12 is amended by RK Law No.343 of 02.08.2015 (comes into force upon expiration of six months after its first official publication).

Article 12. List of Entities and Individuals Linked to Financing of Terrorism and Extremism

1. The designated government agency shall compile the list of entities and individuals linked to financing of terrorism and extremism and disseminate it to the relevant government authorities which shall communicate this list to entities that are subject to financial monitoring.

The designated government agency shall directly communicate the list of entities and individuals linked to financing of terrorism and extremism to entities that are subject to financial monitoring listed in subparagraph 12 of Article 3(1) hereof.

2. The designated government authority for legal statistics and special records and also other government authorities shall disseminate the list of entities and (or) individuals specified in paragraph 4 of this Article to the designated government agency.

3. The list of entities and individuals linked to financing of terrorism and extremism shall be updated based on information provided to the designated government agency by the designated government authority for legal statistics and special records and by other government authorities.

4. An entity or an individual shall be included into the list of entities and individuals linked to financing of terrorism and extremism on the following grounds:

1) Valid ruling of the RK court regarding liquidation of an organization due to its engagement in terrorist activities and (or) extremism;

2) Valid ruling of the RK court regarding recognition of an organization that pursues extremist or terrorist activities in Kazakhstan and (or) in other countries as terrorist or extremist, including establishing its new name;

3) Valid conviction by the RK court of an individual who was found guilty of committing extremism and (or) terrorism-related criminal offence(s);

4) Convictions (rulings) and decisions passed by courts or other competent authorities of foreign countries in respect of entities or individuals engaged in terrorist activities, that (convictions/rulings/decisions) are recognized by Kazakhstan in compliance with the international treaties (agreements) signed by it and with its national legislation;

5) Inclusion of an entity or an individual in the list of entities and individuals linked to terrorist organizations or terrorists compiled by the international anti-terrorist organizations or by the agencies authorized by them in compliance with the international treaties (agreements) signed by Kazakhstan;

6) Inclusion of an entity or an individual in the list of entities and individuals linked to terrorist or extremist activities compiled by the RK General Prosecutor’s Office based on information provided by the RK law enforcement and special government authorities.

5. An entity or an individual shall be excluded from the list of entities and individuals linked to terrorist or extremist activities upon cessation of the circumstances that have given the grounds for including them in the said list.

6. Paragraph 6 is deleted by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

Footnote: Article 12 is amended by RK Law No.266 of 08.04.2010 (see Article 2 for the procedure for entry into force), by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of ten calendar days after its first official publication), by RK Law No. 206-V of 10.06.2014 (see Article 2 for the procedure for entry into force), by RK Law No.227-V of 03.07.2014 (comes into force on 01.01.2015) and by RK Law No.244-V of 03.11.2014 (see Article 2 for the procedure for entry into force).

Article 13. Refusal to Carry out and Suspension of Transactions with Funds and (or) other Assets

Footnote: The name of Article 13 is amended by RK Kaw No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

Note by the National Legal Information Center!

Paragraph 1 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

1. Entities that are subject to financial monitoring shall refuse to establish business relationship with an individual or a legal entity and shall also refuse to carry out transaction with funds and (or) other assets where it is impossible to undertake measures specified in subparagraphs 1, 2 and 4 of Article 5(3) hereof.

Entities that are subject to financial monitoring shall be authorized to terminate business relationship with a customer where it is impossible to undertake measures specified in subparagraph 6 of Article 5(3) hereof, and also if examination of a customer transaction raises suspicion that business relationship is used by a customer for AL or FT purposes.

Note by the National Legal Information Center!

The first sentence of subparagraph 1 of Par.1-1 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

1-1. Not later than one business day following receipt of information on inclusion by the designated government agency of an individual or and entity into the list of entities and individuals linked to financing terrorism and extremism (compiled in compliance with Article 12(1) hereof), entities that are subject to financial monitoring shall be obliged to:

- Suspend debit transactions carried out through bank accounts of such entity or individual as well as through bank accounts of a customer beneficially owned by such individual;

- Suspend execution of instructions regarding payment or funds transfer without opening bank account given by such individual or by a customer beneficially owned by such individual;

- Freeze securities recorded in the registers of securities' holders and in the system of accounting for nominal holding of securities on accounts of such entity or individual as well as on accounts of a customer beneficially owned by such individual;

Note by the National Legal Information Center!

The fifth sentence of subparagraph 1 of Par.1-1 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

- Refuse to carry out other transactions with funds and (or) other assets performed by such entity or individual, or for their benefit, as well as by a customer beneficially owned by such individual or for the benefit of such customer.

Debit transactions through bank accounts, registration of transactions with securities recorded in the registers of securities' holders and in the system of accounting for nominal holding of securities and also other transactions with funds and (or) other assets of entities and individuals included in the list of entities and individuals linked to financing of terrorism and extremism (compiled in compliance with Article 12(1) hereof) may be carried out by entities that are subject to financial monitoring based on relevant court rulings, funds collection orders and assets recovery orders issued by the state revenue authority, and also in situations when such entities and individuals are removed from the said list in a manner specified herein.

2. In order to prevent and disrupt ML/FT activities, upon identifying a transaction as suspicious one, entities that are subject to financial monitoring shall immediately report such transaction to the designated government agency before it is carried out.

In order to enable the designated government authority to perform financial monitoring functions, reports on suspicious transactions that cannot be suspended

shall be filed by entities that are subject to financial monitoring with the designated government agency not later than in three hours after their performance, or within twenty four hours following detection of such transactions.

Report on a transaction that has been identified as suspicious one after its performance shall be filed by an entity that is subject to financial monitoring with the designated government agency not later than the next business day following the day when such transactions was identified as suspicious.

Note by the National Legal Information Center!

The fourth subparagraph of Par.2 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

Entities that are subject to financial monitoring shall inform the designated government agency about refusal to establish business relationship with an individual or a legal entity, about termination of a customer relationship, about refusal to carry out a transaction with funds and (or) other assets on the grounds set forth in paragraph 1 of this Article, and also about suspension of transactions in the situations specified in paragraph 1-1 of the this Article not later than the next business day following the day when an entity that is subject to financial monitoring made such decision (took such measure).

3. Within twenty four hours following receipt of a report filed under subparagraph 1 of paragraph 2 of this Article, the designated government agency shall make a decision on suspension of a suspicious transaction for up to three business days if the analysis of SRT filed by an entity that is subject to financial monitoring shows that such report is justified.

Upon receipt of a suspicious transaction report specified in subparagraph 1 of Article 18(2) hereof, the designated government agency shall be authorized to suspend such transaction if by the time of receiving the report it is not completed yet.

Decision whether or not to suspend a suspicious transaction shall be made the designated government agency and communicated electronically or in hard copy to the entity that is subject to financial monitoring and the government authority that filed the STR.

4. If upon expiration of twenty four hours after submission of a report, an entity that is subject to financial monitoring receives no suspension or non-suspension order/decision from the designated government agency, the transaction shall be carried out, unless there are other grounds set forth in the RK legislation that prevent performance of such transaction.

Note by the National Legal Information Center!

The first subparagraph of Par.5 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

5. Upon making a decision to suspend a suspicious transaction, the designated government agency shall immediately provide this information to the RK General Prosecutor’s Office, which shall, within eight hours following receipt of a suspicious transaction suspension report from the designated government agency, forward this information to the relevant law enforcement and special government authorities for making a decision.

Upon receipt of this information, the relevant law enforcement and special government authorities shall, within forty eight hours make a decision and notify the RK General Prosecutor’s Office and the designated government agency thereof.

The designated government agency shall communicate the decision made by relevant law enforcement and special government authorities to an entity that is subject to financial monitoring within three hours following receipt of such decision.

Note by the National Legal Information Center!

New subparagraph four is added to Par.5 by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

5-1. Upon receipt from law enforcement and special government authorities a decision indicating the need to suspend a suspicious transaction that has been reported under Paragraph 5 of this Article and in respect of which there are reasonable grounds to believe that such transaction is related to financing of terrorism, the designated government agency shall make a decision to suspend debit transactions carried out through bank accounts of all parties to such suspicious transaction for up to fifteen calendar days.

Decision to suspend debit transactions carried out through bank accounts of parties to a suspicious transaction that is reasonably believed to be related to financing of terrorism shall be made by the designated government agency and communicated to the entities that are subject to financial monitoring listed in subparagraph 1 of Article 3(1) hereof.

The designated government agency shall inform the RK General Prosecutor's Office and the law enforcement and special government authorities that have provided the relevant decision, about suspension of debit transactions carried out through bank accounts.

5-2. Upon expiration of a time period for which a transaction was suspended in compliance with the instruction of the designated government agency, the transaction shall be carried out, unless there are other grounds set forth in the RK legislation that prevent performance of such transaction.

6. Entities that are subject to financial monitoring shall be exempt from civil liability for breaching contractual terms and conditions (obligations) in situations where they refuse to carry out and suspend transactions with funds and (or) other assets in compliance herewith.

Note by the National Legal Information Center!

The second subparagraph of Par.6 is amended by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of six months after its official publication).

The designated government agency shall not be subject to civil or other liability for losses, including lost profits, incurred as a result of suspension of transactions with funds and (or) other assets.

Footnote: Article 13 is amended by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of ten calendar days after its first official publication), by RK Law No.206-V of 10.06.2014 (see Article 2 for the procedure for entry into force) and by RK Law No.248-V of 07.11.2014 (comes into force upon expiration of ten calendar days after its first official publication).

Article 14. Monitoring of Compliance with the AML/CFT Legislation of the Republic of Kazakhstan

Monitoring of compliance by entities that are subject to financial monitoring with the RK AML/CFT legislation as it pertains to recording, retaining and reporting transactions with funds and (or) other assets that are subject to financial monitoring, conducting due diligence in respect to customers (their representatives) and beneficial owners, suspending and refusing to carry out transactions that are subject to financial monitoring, ensuring security of documents obtained in course of their operations, and arranging for and implementing the internal controls shall be performed by the relevant government authorities within the scope of powers vested in them and in a manner established by the RK legislation.

Footnote: Article 14 is amended by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of six months days after its first official publication).

CHAPTER 3. POWERS AND DUTIES OF THE DESIGNATED GOVERNMENT AGENCY

Article 15. Objectives of the Designated Government Agency

The objectives of the designated government agency are as follows:

1) Pursuing the government AML/CFT Policy;

2) Combating legalization (laundering) of proceeds obtained through crime and financing of terrorism, and coordinating the AML/CFT efforts undertaken by the government authorities;

3) Establishing the integrated information system and maintaining the national AML/CFT database;

4) Cooperating and exchanging information with foreign competent AML/CFT authorities;

5) Representing Kazakhstan in international AML/CFT organizations.

Footnote: Article 15 is amended by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

Article 16. Functions of the Designated Government Agency

In order to combat legalization (laundering) of proceeds obtained through crime and financing of terrorism, the designated government agency shall:

1) Collect and process information on transactions with funds and (or) other assets that are subject to financing monitoring in compliance herewith;

2) Analyze the received information in a prescribed manner;

3) Coordinate the AML/CFT efforts undertaken by the government authorities;

4) Provide, at the request of criminal courts, information on transactions with funds and (or) other assets that are subject to financial monitoring needed for criminal prosecution;

4-1) Provide, in a manner established by the RK legislation, information on transactions with funds and (or) other assets that are subject to financial monitoring requested by the law enforcement and special government authorities;

5) Where transactions with funds and (or) other assets are reasonably believed to be related to ML and (or) FT, provide the relevant information to the RK General Prosecutor’s Office for further dissemination to the law enforcement and special government authorities that make procedural decisions;

6) Take part in development and implementation of international AML/CFT cooperation programs;

7) Arrange for establishing and maintaining the national database and ensure uniform and consistent operation of AML/CFT information systems;

8) Develop and implement measures aimed at preventing breaches of the RK AML/CFT legislation;

9) Summarize, based on information provided by the government authorities and other organizations, practical application of the RK AML/CFT legislation and develop and submit proposals for its improvement;

10) Study international AML/CFT experience and best practices;

11) Arrange for refresher training and professional development training of AML/CFT personnel;

12) Participate, in the established manner, in activities of international AML/CFT organizations, associations and working groups;

13) Compile, in coordination with the RK National Bank, the list of offshore zones for the purpose hereof;

Note by the National Legal Information Center!

New subparagraphs 13-1 and 13-2 are added to Article 16 by RK Law No.234-V of 02.08.2015 (comes into force upon expiration of six months after its first official publication).

13-3) Coordinate ML/FT risk assessment efforts and initiatives;

13-4) Develop ML/FT risk assessment procedure and ML/FT risk mitigation measures and submit them for approval by the RK Government;

14) Discharge other functions provided for by this Law, other RK laws and Decrees and Resolution of the RK President and Government.

Footnote: Article 16 is amended by RK Law No.452-IV of 05.07.2011 (comes into force on 13.10.2011), by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of ten calendar days after its first official publication), by RK Law No.30-V of 05.07.2012 (comes into force upon expiration of ten calendar days after its first official publication), by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication) and by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of ten calendar days after its first official publication).

Article 17. Powers and Duties of the Designated Government Agency

1. The designated government agency shall be empowered to:

1) Request entities that are subject to financial monitoring and the RK government authorities to provide necessary data, documents and information on transactions with funds and (or) other assets;

2) Order to suspend transactions with funds and (or) other assets identified as suspicious ones for up to three business days;

3) Take part in drafting the RK AML/CFT laws, regulations and international agreements;

4) Exchange, at request or spontaneously, data, documents and information with foreign competent AML/CFT authorities;

5) Engage (inter alia, on contractual basis) research and other organizations and individual professionals for conducting expert analysis, developing training programs, methodological guidelines and software and establishing financial monitoring information systems subject to non-disclosure of the government, official, commercial, banking and other secrets protected by law;

6) Notify the relevant government authorities of breaches of the RK AML/CFT legislation;

7) Establish, jointly with the law enforcement and special government authorities, procedure of sharing and filing ML/FT-related data and information.

2. The designated government agency shall be obliged to:

1) Undertake AML/CFT measures;

2) Ensure appropriate storage, protection and security of data, documents and information that are obtained in course of its operation and constitute official, commercial, banking or other secrets protected by law;

3) Ensure observance of rights and legitimate interests of individuals, legal entities and the state in course of financial monitoring.

Footnote: Article 17 is amended by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of ten calendar days after its first official publication), by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication) and by RK Law No.343-V of 02.08.2015 (comes into force upon expiration of ten calendar days after its first official publication).

Article 18. Cooperation between the Designated Government Agency and the RK Government Authorities

1. The RK government authorities that monitor, within the scope of powers vested in them, compliance by entities that are subject to financial monitoring with the RK AML/CFT legislation shall be obliged to:

1) Provided data, documents and information needed by the designated government agency for conducting financial monitoring and combating ML/FT;

2) Consider notices filed by the designated government agencies regarding breaches of the RK AML/CFT legislation and inform the designated government agency on taken measures within the timelines set forth in the RK legislation;

3) Ensure appropriate storage, protection and security of data, documents and information that are obtained in course of their operation and constitute official, commercial, banking or other secrets protected by law;

4) Ensure observance of rights and legitimate interests of individuals, legal entities and the state in course of discharging their monitoring functions.

2. The RK government authorities shall be obliged to:

1) Inform the designated government agency on independently identified suspicious transactions, inter alia, on transactions involving exportation/importation of goods (work, services) at prices that obviously differ from the market ones;

Note by the National Legal Information Center!

New subparagraphs 1-1 and 1-2 are added to paragraph 2 by RK Law No.234-V of 02.08.2015 (comes into force upon expiration of six months after its first official publication).

2) Inform the designated government agency on independently detected breaches of this Law by entities that are subject to financial monitoring;

3) Provide, at the request of the designated government agency, information contained in their information systems and databases in a manner prescribed by the RK Government;

4) Ensure appropriate storage, protection and security of data, documents and information that are obtained in course of their operation and constitute official, commercial, banking or other secrets protected by law.

3. Requests for information on transactions that are subject to financial monitoring shall be filed by the law enforcement and special government authorities with the designated government agency upon obtaining prior approval of the RK General Prosecutor and his/ her deputies.

The law enforcement and special government authorities shall file requests for information needed for investigation/prosecution of ML/FT-related cases that are registered in a manner established by the RK legislation.

The designated government agency shall respond to requests filed by the law enforcement and special government authorities using data and information on transactions that are subject to financial monitoring available in the national AML/CFT database and data and information received from foreign competent AML/CFT authorities.

Data and information on transactions that are subject to financial monitoring shall be provided to the designated foreign intelligence service in a manner established by a joint regulation adopted by the foreign intelligence service, RK General Prosecutor’s Office and the designated government agency.

4. Filing suspicious transaction reports with the designated government agency in a manner established herein shall not constitute illegal disclosure of official, commercial, banking or other secrets protected by law.

5. Dissemination by the designated government agency of data and information on transactions that subject to financial monitoring, including suspicious transactions, to the RK General Prosecutor’s Office, special government authorities and law enforcement agencies shall not constitute illegal disclosure of official, commercial, banking or other secrets protected by the law.

5-1. The designated government agency shall not provide data and information on transactions that are subject to financial monitoring and on customers of entities

that are subject to financial monitoring in a manner other than that specified herein.

6. Information on importation to/ exportation from the Republic of Kazakhstan of the declared cultural property, foreign cash, bearer securities, bills and cheques, except for importation to/ exportation from the territory that is part of the Customs Union, shall be collected by the RK state revenue authority which is obliged to further report such information to the designated financial agency within the timelines prescribed by the RK legislation.

Footnote: Article 18 is amended by RK Law No.19-V of 21.06.2012 (see Article 2 for procedure of entry into force), by RK Law No.206-V of 10.06.2014 (see Article 2 for the procedure for entry into force), by RK Law No.248-V of 07.11.2014 (comes into force upon expiration of ten calendar days after its first official publication) and by RK Law No.234-V of 02.08.2015 (comes into force upon expiration of ten calendar days after its first official publication).

Article 19. International AML/CFT Cooperation

Footnote: The name of Article 19 is amended by RK Kaw No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

1. The designated and other government agencies of the Republic of Kazakhstan shall cooperate with foreign competent authorities for preventing, detecting, disrupting and investigating ML/FT-related activities and for forfeiting (confiscating) criminal proceeds in compliance with the RK legislation and international treaties (agreements) signed by the Republic of Kazakhstan.

2. International AML/CFT cooperation between the designated government agency and foreign competent authorities may be effected by way of requesting and sharing information.

ML/FT-related data, documents and information shall be shared at the request of foreign competent authority provided that such data, documents and information will not be used for purposes other than those indicated in the request and will not be disclosed to third parties without prior consent of the designated government agency.

Only those ML/FT-related data, documents and information that do not prejudice the constitutional rights and freedoms of individual and the national security of the Republic of Kazakhstan shall be provided to foreign competent authorities.

3. In order to combat legalization (laundering) of proceeds obtained through crime and financing of terrorism, the designated government agency shall be authorized to request data, documents and information from foreign competent AML/CFT authorities.

The designated government agency shall use data, documents and information provided in response to its requests only for AML/CFT purposes.

The designated government agency shall not disclose the received data, documents and information to third parties without prior consent of the foreign competent AML/CFT authorities and shall not use such data, documents and information in breach of conditions and restrictions imposed by the requested foreign competent authorities.

The designated government agency shall be authorized to enter in AML/CFT cooperation agreements with foreign competent authorities in a manner established by the RK legislation.

4. The designated government agency shall be authorized to reject information requests filed by foreign competent authorities if:

1) The designated government agency considers that facts and circumstances indicated in the information request are insufficient for suspecting ML/FT;

2) Sharing the requested data, documents and information affects criminal proceedings underway in Kazakhstan.

The designated government agency shall notify the requesting foreign competent authority of refusal to respond to the request with indication of the reasons for such refusal.

The designated government agency shall be authorized to impose additional conditions and restrictions on the use of data, documents and information provided to foreign competent AML/CFT authorities.

5. The provisions of this Article shall apply to international cooperation, unless otherwise is provided for by the international treaties ratified by the Republic of Kazakhstan.

Footnote: Article 19 is amended by RK Law No.19-V of 21.06.2012 (comes into force upon expiration of ten calendar days after its first official publication), by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication) and by RK Law No.343 of 02.08.2015 (comes into force upon expiration of ten calendar days after its first official publication).

CHAPTER 4. FINAL PROVISIONS

Article 20. Liability for Breaching AML/CFT Legislation of the Republic of Kazakhstan

Footnote: The name of Article 20 is amended by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication).

1. Breach of the AML/CFT legislation of the Republic of Kazakhstan shall entail liability established by the RK laws.

2. Employees of the designated and other government agencies as well as persons who, due to their professional duties, have access to data, documents and information that constitute official, commercial, banking or other secrets protected by law shall be held liable under the RK legislation for illegal disclosure of such information.

3. Damage/ losses inflicted on individuals and legal entities by unlawful actions committed by the designated government agency or by its employees in course of discharging their functions shall be compensated in a manner established by the RK legislation.

Footnote: Article 20 is amended by RK Law No.206-V of 10.06.2014 (comes into force upon expiration of ten calendar days after its first official publication) and by RK Law No.343 of 02.08.2015 (comes into force upon expiration of ten calendar days after its first official publication).

Article 21. Entry into Force

This Law shall come into force upon expiration of six months after its first official publication.

President
Of the Republic of Kazakhstan *N. Nazarbaev*