

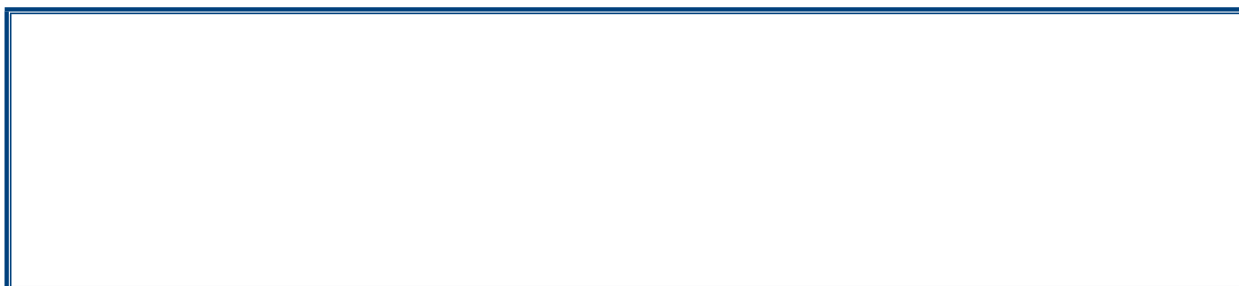


ЕВРАЗИЙСКАЯ ГРУППА
по противодействию легализации преступных доходов
и финансированию терроризма

EURASIAN GROUP
on combating money laundering
and financing of terrorism



THE FOURTH FOLLOW-UP REPORT OF THE REPUBLIC OF KAZAKHSTAN



THE FIRST MUTUAL EVALUATION OF THE REPUBLIC OF KAZAKHSTAN

The Fourth Follow-up Report on the Implementation of the EAG Mutual Evaluation Recommendations

I. INTRODUCTION

1. The purpose of this document is to present to the EAG Plenary Meeting the fourth follow-up report (hereinafter the FR) of the Republic of Kazakhstan on implementation of the EAG mutual evaluation recommendations.
2. In November 2015, Kazakhstan provided the third (detailed) follow-up report in order to be removed from the EAG follow-up process, i.e. to be placed from the regular into the reduced follow-up (submission of updated information every three years).
3. The 23rd EAG Plenary adopted the third follow-up report and agreed with the experts' opinion that significant number of deficiencies identified in course of mutual evaluation was eliminated. The 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) were upgraded to LC.
4. At the same time, the review of the progress in implementation the following Core Recommendations: R.1 (ML Offence) and R.5 (Customer Due Diligence) and the Key Recommendations: R. 23 (Regulation, Supervision and Monitoring), SR.I (Implementation of UN Instruments) and SR.III (Freezing and Confiscation of Terrorist Assets) did not allow for upgrading the compliance ratings to C or LC.
5. In this context, the EAG Plenary requested Kazakhstan to submit the next follow-up report under the enhanced follow-up process to the 24th EAG Plenary Meeting.
6. The following main factors prevented placement of Kazakhstan into the reduced follow-up:
 - a) The 2014 Criminal Code introduced the threshold approach to imposition of criminal liability for ML;
 - b) A number of amendments and modifications pertaining to freezing procedures and extension of AML/CFT requirements to pawnshops, leasing companies and third-party payment processors that were introduced by RK Law No.343-V ZRK of August 2, 2015 would come into force in February 2016, or on January 1, 2017.
7. **The fourth follow-up report of Kazakhstan contains updated information on elimination of the remaining deficiencies indicated in the third follow-up report.**
8. 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 examined and reviewed all materials (laws, regulations, resolutions and other documents) provided by the Republic of Kazakhstan.
9. Materials submitted by Kazakhstan are attached as *Annexes 1 and 2*, while laws, resolutions, by-laws and other regulations can be provided by the EAG Secretariat upon request of interested delegations.
10. Statistics for the reporting period (2013, 2014 and 2015) is attached as *Annex 3* hereto.

II. OVERVIEW OF KAZAKHSTAN'S PROGRESS FROM NOVEMBER 2015 UNTIL MAY 2016.

11. In the reporting period, the most significant step made by the Republic of Kazakhstan for eliminating the remaining deficiencies was the adoption of RK Law No.489-V of 08.04.2016 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Arbitration Rules and Procedures (hereinafter Law No.489-V). This Law introduced amendments into the Criminal Code of the Republic of Kazakhstan and into the Law on Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorism (hereinafter the AML/CFT Law).
12. 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)

Recommendation 1 (ML Offence) – rated PC

The deficiency identified after reviewing the third follow-up report: Kazakhstan implemented the threshold approach to imposing criminal liability for ML.

13. Law No.489-V introduced amendments into Article 218 of the RK Criminal Code which removed the provisions that established the threshold approach to imposing criminal liability for ML.
14. Now, according to clause 3(2) of Law No.489-V criminal liability under paragraph 1 of Article 218 (Legalization (Laundering) of Funds and (or) other Assets) of the 1014 RK 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.
15. The definition of the term “legalization (laundering) of proceeds obtained through crime” in Article 1 of KR Law No.191-IV of August 28, 2009 on Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorism (hereinafter the AML/CFT Law), as amended by Law No.343-V ZRK, is consistent with the provisions of Article 218(1) of the 2014 RK Criminal Code as amended by Law No.489-V.

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.

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**.

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.165¹ of the 2011 MER is partially eliminated, but the recommendation of Par.216² of the 2011 MER is not fully implemented).

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

16. In December 2015, the new version of Article 48 (Forfeiture of Property) of the RK Criminal Code came into force. According to the provisions of this Article liable to forfeiture are funds and other property (assets) that 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.

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.

Taking into account the progress achieved by the Republic of Kazakhstan in implementing Recommendation 1, the current compliance rating may be upgraded to **LC**.

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

17. 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

¹“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)”.

² «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”.

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.

18. 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.
19. 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. At the same time, RK Finance Minister's Order No.161 on Adoption of Requirements for AML/CFT Internal Control Rules of Credit Unions was issued on April 5, 2016.

Pawnshops

20. 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. Pursuant to Law No.489-V the aforementioned amendments came into force in April 2016.

Micro-credit organizations

21. 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.
22. 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.
23. 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

24. 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.

25. 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. Pursuant to Law No.489-V the aforementioned amendments came into force in April 2016.

Insurance agents

26. 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.
27. 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.
28. 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. RK National Bank Board Resolution "On amendments to certain RK regulations concerning regulation of insurance activity" of May 30, 2016 No.127 amended Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions "On adoption of Requirements for operation of insurance institutions as it pertains, *inter alia*, to relationships among insurance market operators and authorization of insurance agents to provide intermediary services", according to which the insurance organization has the responsibility for monitoring compliance by insurance agents signatories to agency contracts concluded with them with customer due diligence requirements, as well as for the provision of AML/CFT training for insurance agents. At the same time, the said amendments were not in force at the time of the report approval.

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.

29. 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. Pursuant to Law No.489-V the aforementioned amendments came into force in April 2016.

30. Thus, the requirements of the Kazakh AML/CFT legislation currently apply to credit cooperatives, microfinance organizations, pawnshops, financial leasing companies, insurance agents and third-party payment processors.

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.

31. 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.
32. 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.
33. *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.
34. 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.
35. 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.
36. *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.
37. 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.
38. 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.

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.

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 **LC**.

Key Recommendations (R.23, 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.

39. 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.
40. 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.
41. 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.

42. 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. The aforementioned amendments and modifications came into force in April 2016.
43. 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 authority designated by the law as the 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). At the same time, on April 5, 2015, the RK Finance Minister issued Order No.161 on Adoption of Requirements for AML/CFT Internal Control Rules of Credit Unions, which allows for making a conclusion that, at present, AML/CFT regulation of credit units comes within the terms of reference of the Finance Ministry of Kazakhstan.
44. 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.
45. At present, pawnshops are not subject to licensing and AML/CFT 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. The aforementioned amendments and modifications came into force in April 2016.
46. At present, insurance agents are not subject to licensing and AML/CFT 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. According to regulatory amendments adopted by the RK National Bank, the insurance organization has the responsibility for monitoring compliance by insurance agents signatories to agency contracts concluded with them with customer due diligence requirements, as well as for the provision of AML/CFT training for insurance agents. At the same time, the said amendments were not in force at the time of the report approval

47. 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.
48. 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. The aforementioned amendments and modifications came into force in April 2016. 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".
49. 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. According to the information provided by Kazakhstan, the bill "*On payments and payment systems*", which introduces the term "payment organizations", which is expected to cover electronic money system operators (except banks) and payment processors, and grants the KR National Bank the powers to maintain a register of such payment institutions and exercise control and supervision over them, including as regards AML/CFT, is currently being reviewed by the country's parliament.

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

50. 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.

51. 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.
52. 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.
53. 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 (except for the National Postal Operator).
54. 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.

55. 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.
56. 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.

57. 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.
58. 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.
59. 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.
60. 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.
61. 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.
62. 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, postal service operators that render remittance services, pawnshops, individual and corporate leasing entities operating in the capacity of unlicensed lessors and credit unions.
63. 63. At present, the AML/CFT legal and regulatory framework for the "new" entities that are subject to financial monitoring is partially established and partially is in the process of approval and adoption. The AML/CFT requirements for these "new" entities came into effect in April 2016 (see deficiency 1 under Recommendation 5 and deficiency 1 under Recommendation 23).

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.

64. 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.

65. 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.
66. 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).
67. No such measures are established in the regulations (provided by Kazakhstan) of the Ministry of Information and Communication, which performs, within the scope of powers vested in it, AML/CFT oversight of postal service operators.
68. 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. The aforementioned amendments and modifications came into force in April 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.

69. 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.
70. RK Law of April 9, 2016 No. 498-V "On postal service" made it impossible for Kazpost to provide lending services, as well as to engage in leasing, factoring and forfaiting operations (Article 23). At the same time, its powers to carry out remittance transactions without a license were retained. However, according to the information provided by Kazakhstan, RK National Bank has the powers to use against Kazpost JSC restrictive measures and sanctions for violation of AML/CFT requirements in carrying out remittance transactions. Despite the lack of licensing, RK National Bank also has the powers, subject to necessity, to completely block

all remittance transactions carried out by Kazpost by closing its correspondent account with RK National Bank and disconnecting it from the Interbank money transfer system (IMTS).

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.

71. RK Law of April 9, 2016 No.498-V "*On postal service*" grants exclusive powers to provide financial services (certain types of banking operations and broker and dealer services) to the National Postal Operator (Article 23).
72. 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.
73. 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.
74. 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.
75. 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.
76. 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.

77. 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.
78. 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. 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.

79. As it follows from the comments above, the national postal service operator still carries out certain types of financial transactions without a license.
80. 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).

Conclusions on Recommendation 23

The review and analysis show that the Republic of Kazakhstan has made significant progress in bringing its national legislation in line with the requirements of Recommendation 23, by extending the AML/CFT requirements to a broad range of sectors of the economy.

At the same time, the government agencies in charge of AML/CFT oversight and supervision of leasing companies, pawnshops and credit unions are not designated yet.

The National Postal Service Operator and mutual insurance companies continue to carry out certain types of financial transactions without a license; insurance brokers are not subject to AML/CFT regulation; insufficient preventive measures are applied for preventing criminal and their accomplices from entering the sector of postal service operators (except for the National Postal Service Operator).

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**.

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

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

81. 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.

82. 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 **LC**.

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.

83. The relevant obligations of the Kazakh entities that are subject to financial monitoring are established in the AML/CFT Law.

84. After RK Law No.343-V of August 2, 2015 on Amendments and Modification to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorist Activities came into force, the RK Government and the designated government agencies adopted the regulations that established the freezing mechanisms and procedures as well as the procedure of notification of the designated government agency of measures taken for freezing transactions with funds and (or) other property (assets).

85. The freezing measures that should be undertaken by the Kazakh entities that are subject to financial monitoring are specified in detail in the Requirements for AML/CFT Internal Control

Rules (thus, the deficiencies indicated in par.295³ of the 2011 MER are eliminated and the recommendation in par.301⁴ of the 2011 MER is implemented).

86. At the time of submission of the report, no Requirements for AML/CFT Internal Control Rules were adopted for individual and corporate dealers in precious metals, precious stones and articles made thereof.
87. The Freezing Procedures have been developed and posted on the website of the designated government agency. According to this document funds/assets shall be frozen for indefinite period of time, i.e. until an entity or individual concerned is removed from the sanction list. However, it should be clarified whether or not this document is legally binding.
88. The provided statistics on funds frozen in compliance with the requirements of UNSCR 1373 (Statistical Data, Table 5.1) demonstrate effectiveness of freezing measures.

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.

89. Additional information is needed (for reviewing the current situation) to determine whether or not freezing measures have been taken to give effect to actions initiated under the freezing mechanisms of other jurisdictions. According to the document entitled “Freezing Procedures” the obligation of the Kazakh entities that are subject to financial monitoring to automatically take freezing measures without delay does not extend to entities and individuals included in the lists of persons associated with terrorism by foreign countries and international organizations. The lists of persons associated with terrorism compiled by the designated agencies of foreign countries and international organizations are considered as the trigger for examining whether or not such persons are among the existing customers, obtaining additional information on them and on their transactions, if necessary, and filing the suspicious transaction reports.

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

90. The mechanism of processing/ considering de-listing applications for removal of entities and individuals from the list of persons linked to financing terrorism and extremism in place in Kazakhstan does not apply to persons included in the sanction lists by international organizations and bodies authorized by them (the UNSC Committees).

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.

91. Clause 8 of the AML/CFT Law (RK Law No.191-IV as amended by RK Law No.206-V of 02.08.2015) specified the procedure of considering/ processing applications of persons linked to financing of terrorism and extremism for granting access to a portion of frozen funds needed for covering the basic expenses.
92. RK Finance Minister’s Order No.613 of December 4, 2015 adopted the Regulation on Granting Access for Individuals Included in the List of Entities and Individuals Linked to Financing of Terrorism and Extremism to Frozen Funds for Covering Basic Expenses. This Regulation came in to force on February 6, 2016.

³ 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.

⁴ Kazakhstan should develop clear guidance for financial institutions on measures to be taken in the event of transactions related to persons listed as terrorists and authorize the FIU to communicate information on actions taken under the freezing mechanisms.

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.

At the same time, Kazakhstan should take further steps for improving its legal and regulatory framework as it pertains to establishment of detailed funds freezing procedures and procedures of granting access to frozen funds needed for covering the basic expenses.

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

IV. MAIN CONCLUSIONS AND RECOMMENDATIONS

93. The conducted review shows that a significant number of shortcomings have been eliminated. In the experts’ opinion, ratings of compliance with Recommendation 1 (ML offence), Recommendation 5 (Customer due diligence), Special Recommendation I (Implementation of UN instruments) and Special Recommendation III (Freezing and confiscation of terrorist assets) may be upgraded to LC.
94. After reviewing the third follow-up report in November 2015, the ratings of compliance with the following Recommendations – Recommendation 13 (Suspicious transaction reporting), Recommendation 35 (Conventions), Special Recommendation II (Criminalization of terrorist financing) and Special Recommendation IV (Suspicious transaction reporting) were upgraded to LC.
95. However, the review of progress in implementation of the remaining Key Recommendation 23 (Regulation, supervision and monitoring), does not allow for upgrading the rating of compliance with this Recommendation to C or LC.
96. Pursuant to clause 51 of the EAG Mutual Evaluation Procedures it is recommended for the EAG Plenary to consider further steps to be taken in respect of the Republic of Kazakhstan, taking into account the general progress achieved by Kazakhstan.
97. Pursuant to par. 51 of the EAG Mutual Evaluation Procedures, and in view of these circumstances, the EAG Plenary decided to remove the country from the follow-up process.

SUMMARY

of the Fourth Follow-up Report of the Republic of Kazakhstan on Improvement of the National Anti-Money Laundering and Counter-Terrorist Financing System

The following work was performed since November 2015 through May 2016 to improve the national AML/CFT system and to implement the EAG assessors' recommendations of 2015:

I. THE WORK DONE:

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

- 1.1. RK Commercial Code No.375-V of October 29, 2015;
- 1.2. RK Law No.391-V of November 12, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Self-Regulation;
- 1.3. RK Law No.393-V of November 12, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to State Audit and Financial Control;
- 1.4. RK Law No.400-V of November 13, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Amnesty of Kazakhstan Citizens, Returnees (Oralmans) and Individuals having Kazakhstan Residence Permit who are Liable for Asset Laundering;
- 1.5. RK Law No.403-V of November 16, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Charitable Activities;
- 1.6. RK Law No.406-V of November 16, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Mandatory Social Health Insurance;
- 1.7. RK Law No.408-V of November 17, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Provision of Public Services;
- 1.8. RK Law No.410-V of November 18, 2015 on Combating Corruption;
- 1.9. RK Law No.411-V of November 18, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Combating Corruption;
- 1.10. RK Law No.412-V of November 18, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Declaration of Income and Assets by Natural Persons;
- 1.11. RK Law No.421-V of November 24, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Immigration and Employment;
- 1.12. RK Law No.422-V of November 24, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Idle Loans and Assets of the Second-Tier Banks, Provision of Financial Services and Operation of Financial Institutions and the National Bank of the Republic of Kazakhstan;

1.13. RK Law No.429-V of December 2, 2015 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Activities of Non-Government Organizations;

1.14. RK Law No.444-V of January 14, 2016 on Precious Metals and Precious Stones;

1.15. RK Law No.445-V of January 14, 2016 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Precious Metals and Precious Stones;

1.16. RK Law No.489-V of April 8, 2016 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Arbitration Rules and Procedures;

1.17. RK Law No.495-V of April 9, 2016 on Lotteries and Lottery Operation.

1.18. RK Law No.498-V of April 9, 2016 on Postal Services.

2. Domestic AML/CFT Cooperation

The main outcomes of the efforts undertaken for enhancing coordination among the government regulators are the AML/CFT cooperation agreements signed between: the Financial Monitoring Committee of the RK Finance Ministry and the Financial Control Committee of the RK Finance Ministry; the RK Finance Ministry and the RK Ministry of Justice; the RK Finance Ministry and the RK Ministry of National Economy; the RK Finance Ministry and the RK National Bank.

The Financial Monitoring Committee of the RK Finance Ministry signed the AML/CFT cooperation agreements with a number of organizations, including Association of Agricultural Credit Unions, OTAN Union of RK Commodity Exchanges, Joint Association of RK Realtors, RK Stock Exchange Association, National Bar Association and RK Association of Jewelry Businesses.

Besides that, the Financial Monitoring Committee held over 20 outreach and awareness raising meetings and events for the entities that are subject to financial monitoring as well as for the representatives and members of the e-money operators, Association of Financiers of Kazakhstan, Association of Microfinance Organizations of Kazakhstan, Collegium of Auditors, securities market participants, pension savings fund, lawyers and independent legal practitioners.

For enhancing effectiveness of information and technical support, the Financial Monitoring Committee pursues ongoing awareness raising campaign through the Help Desk, its official website and mass media. In the reporting period, the Help Desk received over 4 thousand calls from the entities that are subject to financial monitoring. Online advices were provided regarding completion of certain items of FM-1 Form adopted by RK Government Resolution No.1484 of November 23, 2012 as the formal template for filing reports on transactions that are subject to financial monitoring through the Committee's web portal.

3. International AML/CFT Cooperation

The Financial Monitoring Committee is authorized to represent the Republic of Kazakhstan in various international AML/CFT organizations and associations.

In the reporting period, the international efforts of the Financial Monitoring Committee were focused on ensuring more active involvement and participation of Kazakhstan in the international forums as well as on extension of bilateral cooperation.

In the period under consideration, the Financial Monitoring Committee signed interagency cooperation agreements with 6 foreign financial intelligence units (FIUs). Further cooperation agreements will be signed with foreign FIUs in this year.

Last March, the Financial Monitoring Committee held, jointly with the OSCE Office in Astana, the training workshop on detecting terrorism financing through money transfer systems.

To develop the understanding of the international AML/CFT experience and practices, the staff of the Financial Monitoring Committee participated in the training workshops arranged by the OSCE, UNODC, US Embassy, etc.

4. Developed and Adopted RK Government Resolutions

4.1. RK Government Resolution No.96 of February 22, 2016 on Amendments and Modifications to RK Government Resolution No.1484 of November 23, 2012 on Adoption of Regulation on Reporting Transactions that are Subject to Financial Monitoring and Indicators of Suspicious Transactions.

4.2. RK Government Resolution No.912 of November 13, 2015 on Amendments and Modifications to RK Government Resolution No.387 of April 24, 2008 on Certain Issues Pertaining to the Ministry of Finance of the Republic of Kazakhstan.

5. Developed and Adopted Orders of the Government Authorities and Resolutions of the RK National Bank Board

5.1. Joint Order of the RK Finance Minister No.576 of November 20, 2015, the RK Minister of Justice No.34 of January 25, 2016, the Chairman of the RK National Security Committee No.17 of January 14, 2016, the RK General Prosecutor No.6 of January 20, 2016, the RF Minister of Foreign Affairs No.11-1-2/539 of November 30, 2015 and the RK Minister of Internal Affairs No.962 of November 25, 2015 on Adoption of Regulation on Compiling and Communicating List of Entities and Individuals Linked to Financing of Terrorism and Extremism to the Government Authorities;

5.2. RK Finance Minister's Order No.581 of November 20, 2015 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 Ministry of Finance of the Republic of Kazakhstan;

5.3. RK Finance Minister's Order No.613 of December 4, 2015 on Adoption of Regulation on Payment of Funds to Individuals Included in the List of Entities and Individuals Linked to Financing of Terrorism and Extremism for Covering Basic Needs;

5.4. RK Finance Minister's Order No.643 of December 10, 2015 and RK National Bank Board Resolution No.225 of December 19, 2015 on Amendments and Modifications to Certain Joint Regulations Adopted by the RK Minister of Finance and the Board of the RK National Bank;

5.5. RK National Bank Board Resolution No.224 of December 19, 2015 on Amendments and Modifications to Certain Regulations of the Republic of Kazakhstan;

5.6. RK National Bank Board Resolution No.230 of December 19, 2015 on Amendments and Modifications to Certain Resolutions of the Board of the RK National Bank Pertaining to Cash Circulation in the Republic of Kazakhstan;

5.7. RK National Bank Board Resolution No.249 of December 19, 2015 on Adoption of Requirements for Corporate Structure of Trading Organizer and Composition of Listing Committee of Stock Exchange and Regulation on Operation of Structural Department of Trading Organizer Responsible for Supervising Stock Exchange Transactions;

5.8. RK National Bank Board Resolution No.253 of December 15, 2015 on Adoption of Requirements for Risk Management System of Central Depository;

5.9. RK National Bank Board Resolution No.254 of December 15, 2015 on Adoption of Regulation on Operation of Central Depository;

5.10. RK National Bank Board Resolution No.252 of December 15, 2015 on Adoption of Regulation on Developing Risk Management and Internal Control System of Stock Exchange;

5.11. RK National Bank Board Resolution No.12 of January 28, 2016 on Amendments and Modifications to Certain Regulations of the Republic of Kazakhstan Pertaining to Financial Market and Financial Institutions;

5.12. RK National Bank Board Resolution No.55 of January 28, 2016 on Amendments and Modifications to RK National Bank Board Resolution No.144 of July 16, 2014 on Adoption of Regulation on Foreign Cash Exchange Transactions in the Republic of Kazakhstan;

5.13. RK National Bank Board Resolution No.32 of January 28, 2016 on Amendments and Modifications to Certain Regulations of the RK National Bank Pertaining to Payments, Fund Transfers and Bank Account Maintenance;

5.14. RK Finance Minister's Order No.709 of December 28, 2015 on Amendments and Modifications to RK Finance Minister's Order No.477 of November 5, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Accounting Organizations and Independent Accounting Professionals (professional accountants engaged in entrepreneurial activities);

5.15. RK Finance Minister's Order No.706 of December 28, 2015 on Amendments and Modifications to RK Finance Minister's Order No.526 of November 27, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Audit Firms;

5.16. RK Finance Minister's Order No.708 of December 28, 2015 on Adoption of Requirements for AML/CFT Internal Control Rules of Lawyers and other Independent Legal Professionals;

5.17. RK Finance Minister's Order No.707 of December 28, 2015 on Adoption of Requirements for AML/CFT Internal Control Rules of Non-Bank E-Money Operators;

5.18. Joint Order of the RK Finance Minister No.702 of December 28, 2015 and the RK Minister of Justice No.73 of February 15, 2016 on Amendments and Modifications to Joint Order of the RK Finance Minister No.531 of November 28, 2014 and the RK Minister of Justice No.360 of December 11, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Notaries;

5.19. Joint Order of the RK Finance Minister No.704 of December 28, 2015 and the RK Minister of National Economy No.14 of January 18, 2016 on Amendments and Modifications to Joint Order of the RK Finance Minister No.532 of November 28, 2014 and the acting RK Minister of National Economy No.119 of November 28, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Commodity Exchanges;

5.20. Joint Order of the RK Finance Minister No.703 of December 28, 2015 and the acting RK Minister of Investment and Development No.1302 of December 31, 2015 on Amendments and Modifications to Joint Order of the RK Finance Minister No.499 of November 19, 2014 and the RK Minister of Investment and Development No.182 of November 25, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Postal Service Operators that Render Remittance Services;

5.21. Joint Order of the RK Finance Minister No.705 of December 28, 2015 and the RK Minister of Culture and Sports No.6 of January 14, 2016 on Amendments and Modifications to Joint Order of the RK Finance Minister No.527 of November 27, 2014 and the RK Minister of Culture and Sports No.112 of November 26, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Gambling and Lottery Operators;

5.22. Joint Order of the RK Minister of Justice No.649 of December 28, 2015 and the acting RK Minister of National Economy No.833 of December 30, 2015 on Adoption of Risk Assessment Criteria and Checklists Related to Notarial Activities;

5.23. Order of the RK Minister of Culture and Sports No.51 of February 19, 2016 on Adoption of Regulation on Reporting their Activities by Non-Government Organizations and Development of Activity Database;

5.24. Order of the RK Minister of National Economy No.128 of March 5, 2016 on Adoption of Risk Assessment Criteria and Commodity Exchange Legislation Compliance Checklists; RK Finance Minister's Order No.206 of April 28, 2016 on Adoption of Requirements for AML/CFT Internal Control Rules of Individual and Corporate Leasing Entities Operating in the Capacity of Unlicensed Lessors;

5.25. RK Finance Minister's Order No.203 of April 28, 2016 on Adoption of Requirements for AML/CFT Internal Control Rules of Pawnshops;

5.26. RK Finance Minister's Order No.205 of April 28, 2016 on Adoption of Requirements for AML/CFT Internal Control Rules of Individual and Corporate Real Estate Agents;

5.27. Joint Order of the RK Finance Minister No.204 of April 28, 2016 and the RK National Bank Board Resolution on Adoption of Requirements for AML/CFT Internal Control Rules of Third-Party Payment Processors were adopted at the meeting of the RK National Bank Board on April 29, 2016. Reg. number of this Joint Order will be provided to the EAG Secretariat later.

5.28. Joint Order of the RK Finance Minister No.155 of April 4, 2016 and the RK National Bank Board Resolution on Amendments and Modifications to RK Finance Minister's Order No.518 of November 26, 2014 and RK National Bank Board Resolution No.236 of December 24, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Credit Unions were adopted at the meeting of the RK National Bank Board on April 29, 2016. Reg. number of this Joint Order will be provided to the EAG Secretariat later.

II. Current Work

Pursuant to RK Prime Minister's Directive No.77-r of September 4, 2015 on Amendments and Modifications to Certain AML/CFT-Related Legislative Acts of the Republic of Kazakhstan the Ministry of Finance of the Republic of Kazakhstan drafted the RK Finance Minister's Order on Adoption of Requirements for AML/CFT Internal Control Rules of Individual and Corporate Dealers in Precious Metals, Precious Stones and Articles Made thereof.

The RK National Bank drafted the Board Resolution on Amendments and Modifications to Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions on Adoption of Requirements for Operation of Insurance Institutions as it Pertains, *inter alia*, to Relationships among Insurance Market Operators and Authorization of Insurance Agents to Provide Intermediary Services in the Insurance Market. It is planned that this draft Resolution will be adopted at the meeting of the Board of the RK National Banks in this coming May.

Besides that, the Financial Monitoring Committee prepares amendments and modifications to the existing cooperation agreements with the government regulators and to the orders adopted jointly with the law enforcement agencies and also continues to interact and cooperate with all authorities and entities covered by the AML/CFT regime.

In particular, for expediting exchange of information on frozen assets, the Financial Monitoring Committee drafted Agreements between the RK Ministry of Finance and the RK Ministry of Internal Affairs and between the RF Ministry of Finance and the RK Ministry of Investment and Development on measures to be taken by the government authorities for freezing (suspending) transactions with funds and (or) other assets of entities or individuals included in the list of entities and individuals linked to financing of terrorism and extremism.

Besides that, the relevant amendments and modifications are being introduced into the regulations and procedures of exchange and dissemination of AML/CFT-related information for freezing (suspending) transactions with funds and (or) other assets.

III. Conclusion

In the period under review, the Republic of Kazakhstan amended a number of the RK Laws for eliminating deficiencies in implementation of the Core, Key and other Recommendations.

Some amendments and modifications introduced by RK Law No.343-V of August 2, 2015, which, *inter alia*, covers the freezing procedures, became effective on February 6, 2016.

Amendments introduced by RK Law No.489-V of April 8, 2016 removed the provisions of the RK Criminal Code that established threshold for imposition of criminal liability for money laundering.

Pursuant to modifications introduced by RK Law No.489-V of April 8, 2016 the provisions which extended the list of entities that are subject to financial monitoring came into force on April 1, 2016. Therefore, the AML/CFT requirements now apply to all types and categories of financial entities covered by the FATF Standards.

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

THE REPUBLIC OF KAZAKHSTAN

THE FORTH FOLLOW-UP REPORT TABLE (2016)

I. Actions Taken with regard to the Core Recommendations (R.1, R.5)

<i>Recommendations</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
1. ML Offence	1. Kazakhstan implemented the threshold approach to imposing criminal liability for ML <i>(this deficiency was identified after reviewing the 3rd follow-up report)</i>	The Republic of Kazakhstan eliminated this deficiency. On April 8, 2016, the Head of the State signed RK Law No.489-V on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Arbitration Rules and Procedures (hereinafter Law No.489-V) which, <i>inter alia</i> , introduced amendments into Article 3 and 218 of the RK Criminal Code by deleting the phrase “where such actions are committed on a large scale” (2000 MCI).
	4. ML offence does not extend to property that indirectly represents the proceeds of crime	Amended version of Article 48 "Confiscation of property «of the Criminal Code came into effect in December 2015, according to which money and other property derived from the commission of a criminal offence, as well as any income derived from that property, except for the property and any income derived from it that must be returned to its rightful owner, shall be subject to confiscation.

<i>Recommendations</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
5. CustomerDueDiligence	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, <i>inter alia</i> , via electronic terminals.	<p>Since April 1, 2016, the following entities fall into the category of entities that are subject to financial monitoring, as prescribed by Law No.489-V:</p> <ul style="list-style-type: none"> - Pawnshops; - Individual and corporate leasing entities operating in the capacity of unlicensed lessors; - Third-party payment processors. <p><i>Insurance agents</i></p> <p>The RK National Bank drafted the Resolution of the Board on Amendments and Modifications to Resolution No.25 of March 1, 2010 of the Board of the RK Agency for Regulation and Supervision of Financial Market and Financial Institutions on Adoption of Requirements for Operation of Insurance Institutions as it Pertains, <i>inter alia</i>, to Relationships among Insurance Market Operators and Authorization of Insurance Agents to Provide Intermediary Services in the Insurance Market. Pursuant to this draft Resolution insurance institutions shall ensure compliance with CDD requirements by insurance agents with whom agency contracts are signed and shall also arrange for training of insurance agents, including AML/CFT training. It is planned that this draft Resolution will be adopted at the meeting of the Board of the RK National Banks in this coming May.</p>
	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.	According to Article 1(17) of RK Law No.191-IV on Law on Combating Legalization (Laundering) of Proceeds Obtained through Crime and Financing of Terrorism(hereinafter the AML/CFT Law) business relationships are relationships with customers established in course of professional activities carried out by an entity that is subject to financial monitoring.

<i>Recommendations</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>The term “occasional transaction” used in the Requirements for Internal Control Rules of the Second-Tier Banks and the National Post Service Operator means the list of transactions (deals) that are not covered by the «business relationship” concept.</p> <p>Thus, all relationships other than occasional transactions are considered to be “business relationships” and are subject to CDD irrespective of transaction amount.</p>

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

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
23. Regulation, Supervision and Monitoring	1. Persons engaged in financial leasing transactions; consumer cooperatives that provide loans to their members; micro-credit institutions; <u>pawnshops</u> ; 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.	<p>The deficiency is eliminated. According to Article 2 of Law No.489-V pawnshops and individual and corporate leasing entities operating in the capacity of unlicensed lessors fall into the category of entities that are subject to financial monitoring since April 1, 2016.</p> <p>As prescribed by Article 328 of the RK Civil Code and Article 10 of the RK Law on Financial Leasing of July 5, 2000, pawnshops and individual and corporate leasing entities operating in the capacity of unlicensed lessors are obliged to notify the Financial Monitoring Committee of commencement and termination of their operations and to comply with the requirements set forth in the RK AML/CFT legislation.</p> <p>The relevant amendments have been introduced into RK Law No.202 of May 16, 2014 on Permits and Notices.</p> <p>The RK Ministry of Finance adopted the following regulations:</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>- RK Finance Minister's Order No.203 of April 28, 2016 on Adoption of Requirements for AML/CFT Internal Control Rules of Pawnshops;</p> <p>- RK Finance Minister's Order No.206 of April 28, 2016 on Adoption of Requirements for AML/CFT Internal Control Rules of Individual and Corporate Leasing Entities Operating in the Capacity of Unlicensed Lessors.</p> <p>Supervision over compliance with the RK AML/CFT legislation is exercised by the prosecution offices pursuant to Article 5 of the RK Law on Prosecutor's Office which empowers them to conduct inspections/audits of compliance with the legislation. Besides that, Article 805 of the RK Code of Administrative Offences (hereinafter the 2014 Code of Administrative Offences empowers prosecutors to institute administrative cases for commission of administrative offences covered by Article 214 of the 2014 Code of Administrative Offences (Breach of the RK AML/CFT Legislation).</p> <p><i>Credit unions/ cooperative</i></p> <p>Credit unions are entities engaged in certain types of bank transactions that are subject to financial monitoring.</p> <p>In Kazakhstan, the core activity of credit unions involves provision of cheap loans to agricultural commodity producers with the support of the government and quasi-government-owned companies (the subsidiaries of KazAgro National Agricultural Management Holding Company).</p> <p>Credit unions are financed by Agricultural Credit Corporation (the subsidiary of KazAgro) licensed by the RK National Banks to provide bank loans.</p> <p>Joint Order of the RK Finance Minister No.155 of April 4, 2016 and the RK National Bank Board Resolution on Amendments and Modifications to RK Finance Minister's Order No.518 of November 26, 2014 and RK National Bank Board Resolution No.236 of December 24, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>of Credit Unions were adopted at the meeting of the RK National Bank Board on April 29, 2016. Reg. number of this Joint Order will be provided to the EAG Secretariat later.</p> <p>In addition to that, the RK Minister of Finance issued Order No.161 of April 5, 2016 on Adoption of Requirements for AML/CFT Rules of Credit Unions.</p> <p><i>Insurance agents</i></p> <p>Pursuant to the Requirements for operation of insurance institutions, <i>inter alia</i>, 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:</p> <p>Record information on insurance agent in the electronic insurance agents register maintained by a designated employee of the insurance institution;</p> <p>Arrange for training of insurance agent.</p> <p>According to the signed agreement all requirements related to compliance by insurance institution with the RK legislation, including the AML/CFT legislation, apply to insurance agent.</p> <p>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 National Register of Regulations on February 10, 2015 (Reg.No.10214).</p> <p>Article 18(2) of the RK Law on Insurance holds an insurance institution liable for breaching the AML/CFT legislation by its insurance agent, in particular for:</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<ul style="list-style-type: none"> - Entering into insurance agreements and taking actions by an insurance agent that are beyond the authority and powers granted to such agent, - Entering into insurance agreements covering those types and categories of insurance services that insurance institution is not licensed to provide by the competent authority, - Deliberate misleading/ misinforming an insured party about terms and conditions of the insurance contract, - Non-compliance with RK legal requirements pertaining to execution of an insurance contract and on execution of documents needed for entering into such insurance contract. <p>Pursuant to RK Law No. 338-IV on Amendments and Modifications to Certain RK Legislative Acts Pertaining to Insurance dated July 15, 2010 amendments were introduced into Article 18 of RK Law No.126 on Insurance of December 18, 2000. The amended Article prohibits an insurance agent from accepting cash from an insured party as payment of the premium when entering into insurance contract on behalf or at the direction of an insurance institution. These amendments came into force on January 1, 2012.</p> <p>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.</p> <p><i>Third-party payment processors</i></p> <p>Since April 1, 2016, third-party payment processors fall into category of entities that are subject to financial monitoring.</p> <p>According to Article 3(3) of the AML/CFT Law information on third-party payment processors is provided to the designated financial monitoring agency by the RK National Bank.</p> <p>Order of the RK Finance Minister No.204 of April 28, 2016 and the RK National Bank Board Resolution on Adoption of Requirements for AML/CFT Internal Control Rules of</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
	<p>5. No steps were taken by the competent authorities to review the AML/CFT situation in the supervised institutions.</p>	<p>Third-Party Payment Processors were adopted at the meeting of the RK National Bank Board on April 29, 2016. Reg. number of this Joint Order will be provided to the EAG Secretariat later.</p> <p>The RK Ministry of Investment and Development conducts quarterly review of compliance with the RK AML/CFT legislation by postal service operators that render remittance services.</p> <p>The analysis shows that, until 2015, KazPost experienced difficulties in understanding ML/FT risks, had no internal procedures for identifying ML/FT risks and also encountered problems with establishing the AML/CFT system.</p> <p>Joint Order of the RK Finance Minister No.499 of November 19, 2014 and the RK Investment and Development Minister No.182 of November 25, 2014 on Adoption of Requirements for Internal Control Rules of Postal Service Operators that Render Remittance Services took into account the relevant risks, which may be extended by the postal service operators in course of development of their corporate internal control rules.</p> <p>Pursuant to the Resolution of the KazPost Board of Directors of February 9, 2015 the Financial Monitoring Service responsible, <i>inter alia</i>, for AML/CFT, was established in KazPost.</p> <p>The Financial Monitoring Service adopted its Statute and job descriptions of its personnel and updated the KazPost AML/CFT Internal Control Rules.</p> <p>The “Financial Monitoring System – AML” software was commissioned as part of the project related to computerization of the AML/CFT law compliance process. This software enables to identify suspicious transactions against the predetermined criteria and assess ML/FT risks.</p> <p>Furthermore, the RK Ministry of Investment and Development regularly takes active part in joint outreach and awareness raising meetings and events held by the Financial Monitoring Committee. It engages personnel of the supervised entities (postal service operators that render remittance services) in these events. One of such events was the round</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		table held by videoconference, in which the experts from the EAG member countries took part. The purpose of this round table was to exchange experience in development internal control rules of postal service operators and to share criteria and indicators of suspicious financial transactions related to postal money transfers / remittances. The results of this discussion were summarized and taken into account in course of modification of the internal control rules of postal service operators.
	6. The AML/CFT supervision and monitoring regulatory frameworks has not been established for all types of financial institutions yet.	<i>See actions taken to remedy deficiencies under R.1 and R.23.</i>
	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.	<p>As for restrictive measures for postal service operators, it should be noted that Kazakhstan adopted new version of Law on Postal Services No.498-V of April 9, 2016 (hereinafter Law No.498-V).</p> <p>Article 22 of Law 498-V prohibits an individual or a legal entity, which founder or member is an individual who has a non-discharged record of conviction for committing criminal offences covered by Articles 215, 237, 238 and 240 of the 2014 RK Criminal Code, from operating in the capacity of postal service operator.</p> <p>According to paragraphs 4 and 4-1 of Article 11 of RK Law No.2198 of April 17, 1995 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:</p> <p>- Where an individual, who is the founder (member) and (or) the chief executive officer of such legal entity, is the sole founder (member) and (or) the chief executive officer of inactive legal entities, and (or) is recognized legally incapable or partially capable, and (or) is declared deceased, and (or) has a non-discharged record of conviction for committing criminal offences covered by Articles 215, 237, 238 and 240 of the 2014 RK Criminal Code, and also where the individual and (or) corporate founder of a legal entity,</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
	<p>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.</p>	<p>the chief executive officer of a legal entity, the founder and(or) the chief executive officer who has established a legal entity is the debtor against whom enforcement order is issued, except for an individual against whom enforcement proceedings are instituted for recovery installment payments and who is less than three months in arrears;</p> <p>- Where an individual, who is 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 under the legislation of the Republic of Kazakhstan.</p> <p>Pursuant to Article 23(3) of Law No.498-V the National Bank oversees compliance by the National Postal Service Operator with the AML/CFT legislation in course of carrying out financial transactions and rendering financial services. It means that the National Bank is empowered and tasked with monitoring compliance by KazPost with the requirements set forth in the AML/CFT legislation.</p> <p>According to Article 9 of Law No.498-V:</p> <p>1. The following types of postal activities are carried out in the Republic of Kazakhstan:</p> <ol style="list-style-type: none"> 1) Postal services; 2) Other postal activities as specified in this Law. <p>2. Postal services include the following:</p> <ol style="list-style-type: none"> 1) Regular mail services; 2) Registered mails services; 3) Express mail and courier services; 4) Postal money transfer/ remittance services; 5) Retail sale and delivery of print newspapers and magazines to subscribers; 6) Sale of postage stamps and philatelic items;

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>7) Hybridmailservices;</p> <p>8) Special postal services specified in the RK Law on Postal Services;</p> <p>9) Other services directly related to postal services.</p> <p>3. Otherpostalactivitiesinclude:</p> <p>1) Bank transactions and financial services permitted by the RK laws;</p> <p>2) Goods (cargo) transportation, handling, warehousing and storage services;</p> <p>3) Legal activities under agency and (or) commission agreements in compliance with the requirements set forth in the RK legislation;</p> <p>4) Delivery of pensions, allowances and other welfare payments.</p> <p>According to Article 23(2) of Law No.498-V the National Postal Service Operator is authorized to:</p> <p>1) Provide services specified in paragraphs 2, 3, 4, 5,7and9 of clause 1 and in clause 3 of Article 9 of this Law;</p> <p>2) Operate in the capacity of broker, dealer and transfer agent in a manner established by the RK National Bank;</p> <p>3) Carry out certain types of banking operations without license:</p> <p>Accept deposits and open and maintain bank accounts of legal entities;</p> <p>Open and maintain correspondent accounts of banks and institutions engaged in certain types of bank transactions;</p> <p>Carry out cash processing operations: accept and issue cash, which also includes cash changing, exchanging, recounting, sorting, packaging and storing operations;</p> <p>Carry out funds transfer transactions: execute funds transfer and payment orders and instructions of individual and corporate customers;</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>Collect banknotes, coins and valuables for depositing them into accounts;</p> <p>Arrange for foreign exchange transactions, including foreign cash exchange transactions;</p> <p>4) Issue, sale and distribute payment cards.</p> <p>Thus, the services that involve leasing, factoring, forfaiting and borrowing transactions as well as granting cash loans on conditions of repayment, interest payment and maturity (as it pertains to cashing cheques issued by the local offices of the designated budget execution agency) are excluded from the list of services which the National Postal Service Operator is authorized to provide.</p> <p>The National Postal Service Operator provides only those services that are specified in Law No.498-V.</p>
	<p>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.</p>	<p>Pursuant to Article 23(3) of Law No.498-V the RK Ministry of Investment and Development, being the designated agency, oversees compliance by the National Postal Service Operator with the RK AML/CFT legislation in course of providing postal services which include postal money transfer/remittance services.</p>
	<p>11. The national postal service operator and mutual insurance companies may carry out certain types of financial transactions without a license.</p>	<p>In Kazakhstan, 99.9% of mutual insurance companies provide mandatory insurance services to businesses operating in the crop cultivation sector. Mutual insurance companies are prohibited from providing other types of mandatory insurance services by Article 13(2)(2) of the RK Law on Mutual Insurance. Furthermore, Article 13(2)(1) and Article 16 of the RK Law prohibit mutual insurance companies from carrying out activities related to insuring civil liability and reinsuring risks accepted by them, respectively.</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>After the mutual insurance framework was established in the Republic of Kazakhstan, 111 mutual insurance companies obtained government registration certificates from the justice authorities. A total of 42 mutual insurance companies actually operated in Kazakhstan as of October 1, 2015.</p> <p>It should be noted that after adoption of the RK Law of December 30, 2009 on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Mandatory and Mutual Insurance and Taxation, according to which the minimum membership of a mutual insurance company shall be 250 persons, most mutual insurance companies consolidated by merging with each other.</p> <p>The RK National Bank maintains the register of mutual insurance companies, receives reports filed by mutual insurance companies, adopts the procedure of asset investment by mutual insurance companies and requirements for insurance reserves of mutual insurance companies and is empowered to impose administrative sanctions for administrative offences covered by Article 228(7) of the 2104 Code of Administrative Offences (Carrying out Transactions and Deals by a Mutual Insurance Company in Breach of the Mutual Insurance Legislation).</p> <p>It should be noted that 41 mutual insurance companies are part of the system of mandatory insurance in the crop cultivation sector. This type of insurance is the only type of mandatory insurance which mutual insurance companies are allowed to provide (as per RK Law No.533 of March 10, 2004 on Mandatory Insurance in Crop Cultivation Sector). Operation of these mutual insurance companies is additionally supervised by the Ministry of Agriculture of the Republic of Kazakhstan which is the designated government agency in charge of supervision of the crop cultivation sector. The Ministry of Agriculture is empowered, <i>inter alia</i>, to adopt the procedure of spending money allocated for supporting mandatory insurance in the crop cultivation sector and to develop and adopt the template of mandatory insurance contract and the terms and conditions of partial compensation of insurance indemnity paid by the insurance agent (Kazagromarket company).</p> <p>According to Kazagromarket company (the subsidiary of KazAgroNational Agricultural Management Holding Company) a total of 834mln tenge was allocated by</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>the government for compensating 50% of insurance indemnities paid by 37 mutual insurance companies and 2 insurance companies in 2014.</p> <p>Only one mutual insurance company provides voluntary insurance services.</p> <p>In general, the National Bank indicates that operation of the mutual insurance company that provides voluntary insurance services is cost-inefficient, since the amount of insurance premiums received by it does not cover administrative costs incurred by this company and, therefore, it suffers heavy losses. This is confirmed by the fact that almost no mutual insurance companies operate in the voluntary insurance market. For example, in 2014, the amount of insurance premiums received by the only mutual insurance company that provides voluntary insurance services was 320 thousand tenge. In the same period, it paid 1,527,000 tenge as insurance indemnities to its members. (Total losses incurred by the company amounted to 5,612,000 tenge).</p> <p>In this context, it should be noted that 99.9% of mutual insurance companies operating in Kazakhstan provide mandatory insurance services, which substantially reduces ML/FT risks in this sector (due to legal regulation of insurance rates and coverages (tariffs)). Besides that, compensation by the government of insurance indemnities paid by mutual insurance companies also mitigates risks.</p> <p><i>Regarding certain types of financial transactions that the National Postal Service Operator may carry out without license</i></p> <p>According to the applicable legislation of the Republic of Kazakhstan a license is issued to perform a certain type of business operations which may include several types of financial transactions.</p> <p>As mentioned above, pursuant to Law No.498-V the services that involve leasing, factoring, forfaiting and borrowing transactions as well as granting cash loans on conditions of repayment, interest payment and maturity (as it pertains to cashing cheques</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>issued by the local offices of the designated budget execution agency) are excluded from the list of services which the National Postal Service Operator is authorized to provide.</p> <p>The National Postal Service Operator carries out only those types of activities that are specified in Law No.498-V.</p>
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.	<p>The freezing mechanism is implemented in the Republic of Kazakhstan by the new provisions that were included in Article 13 of the AML/CFT Law by Law No.343-V. These amendments came into force on February 6, 2016.</p> <p>Article 13(1-1) of the AML/CFT Law obliges entities that are subject to financial monitoring to take the following measures without delay for freezing (suspending) transactions with funds and (or) other 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:</p> <ul style="list-style-type: none"> - 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; - 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, except for transactions related to crediting funds to bank account of such individual.
	3. The FIU is not authorized to communicate actions taken under the freezing mechanisms. 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.	

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>Article 13(2) of the AML/CFT Law obliges the entities that are subject to financial monitoring to inform the Financial Monitoring Committee on measures taken by them for freezing (suspending) transactions with funds and (or) other assets 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).</p> <p>The process of implementation by the entities that are subject to financial monitoring of the procedures related to identifying the listed customers and beneficial owners and freezing (suspending), without delay, transactions with funds and (or) other assets is specified in different regulations due to the different specificities of their activities and operations. Presented below is the list of these regulations:</p> <p>RK Finance Minister's Order No.643 of December 10, 2015 and RK National Bank Board Resolution No.225 of December 19, 2015 on Amendments and Modifications to Certain Joint Regulations Adopted by the RK Minister of Finance and the Board of the RK National Bank;</p> <p>Joint Order of the RK Finance Minister No.702 of December 28, 2015 and the RK Minister of Justice No.73 of February 15, 2016 on Amendments and Modifications to Joint Order of the RK Finance Minister No.531 of November 28, 2014 and the RK Minister of Justice No.360 of December 11, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Notaries;</p> <p>Joint Order of the RK Finance Minister No.703 of December 28, 2015 and the acting RK Minister of Investment and Development No.1302 of December 31, 2015 on Amendments and Modifications to Joint Order of the RK Finance Minister No.499 of November 19, 2014 and the RK Minister of Investment and Development No.182 of November 25, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Postal Service Operators that Render Remittance Services;</p> <p>Joint Order of the RK Finance Minister No.704 of December 28, 2015 and the RK Minister of National Economy No.14 of January 18, 2016 on Amendments and</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>Modifications to Joint Order of the RK Finance Minister No.532 of November 28, 2014 and the acting RK Minister of National Economy No.119 of November 28, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Commodity Exchanges;</p> <p>Joint Order of the RK Finance Minister No.705 of December 28, 2015 and the RK Minister of Culture and Sports No.6 of January 14, 2016 on Amendments and Modifications to Joint Order of the RK Finance Minister No.527 of November 27, 2014 and the RK Minister of Culture and Sports No.112 of November 26, 2014 on Adoption of Requirements for AML/CFT Internal Control Rules of Gambling and Lottery Operators;</p> <p>RK Finance Minister's Order No.707 of December 28, 2015 on Adoption of Requirements for AML/CFT Internal Control Rules of Non-Bank E-Money Operators;</p> <p>RK Finance Minister's Order No.161 of April 5, 2016 on Adoption of Requirements for AML/CFT Rules of Credit Union;</p> <p>RK Finance Minister's Order No.206 of April 28, 2016 of Adoption of Requirements for AML/CFT Internal Control Rules of Individual and Corporate Leasing Entities Operating in the Capacity of Unlicensed Lessors;</p> <p>RK Finance Minister's Order No.203 of April 28, 2016 of Adoption of Requirements for AML/CFT Internal Control Rules of Pawnshops;</p> <p>RK Finance Minister's Order No.205 of April 28, 2016 of Adoption of Requirements for AML/CFT Internal Control Rules of Individual and Corporate Real Estate Agents.</p> <p>Besides that, the guidelines related to procedures of freezing (suspending) transactions with funds and (or) other assets were developed and posted on the official websites of the Financial Monitoring Committee (http://kfm.gov.kz/ru/to-help-sps/edition) and the National Bank of the Republic of Kazakhstan (http://www.nationalbank.kz/?docid=1565&switch=russian).</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>According to Article 18 (2)(1-1) of the AML/CFT Law, starting from the date when information on inclusion of a natural or legal person 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, the government authorities are obliged to take measures for freezing (suspending) transactions with funds and (or) other assets in compliance with the RK legislation.</p> <p>According to Article 11(4-1) of RK Law of April 17, 1995 on Government Registration of Legal Entities and Record Registration of Branches and Representative Offices government registration (re-registration) of a legal entity is 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 pursuant to the RK legislation.</p> <p>According to Article 20(3) of RK Law of January 16, 2001 on Non-Profit Organizations 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.</p> <p>Besides that, Article 36(2)(2) of RK Commercial Code No.375-V of October 29, 2015 obliges the state revenue agency to deny government registration of individual entrepreneur (joint individual entrepreneurs) if an applicant is included in the list of entities and individuals linked to financing of terrorism and extremism pursuant to the RK legislation.</p> <p>According to Article 31(1)(1-1) of the Law on 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 pursuant to the RK legislation.</p> <p>According to Article 68(1)(6-1) of RK Law No.194-V of April 17, 2014 on Road Traffic inclusion of an applicant in the list of entities and individuals linked to financing of</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>terrorism and extremism constitutes the grounds for denial of government registration or modification in the registration certificate of a transport vehicle.</p> <p>Article 8(2)(2) and (5) of RK Law No.495-V of April 9, 2016 on Lotteries and Lottery Operation prohibits the following legal entities from being lottery operators:</p> <ul style="list-style-type: none"> - Legal entities that are included in the list of entities and individuals linked to financing of terrorism and extremism in a manner established by the RK legislation; - Legal entities which founders (members) and (or) executive body and (or) affiliated persons have a non-discharged record of conviction for committing economic crimes or willful medium-gravity, grave or particularly grave crimes and (or) are included in the list of entities and individuals linked to financing of terrorism and extremism in a manner established by the RK legislation. <p>For this purpose Joint Order of the RK Finance Minister No.576 of November 20, 2015, the RK Minister of Justice No.34 of January 25, 2016, the Chairman of the RK National Security Committee No.17 of January 14, 2016, the RK General Prosecutor No.6 of January 20, 2016, the RF Minister of Foreign Affairs No.11-1-2/539 of November 30, 2015 and the RK Minister of Internal Affairs No.962 of November 25, 2015 on Adoption of Regulation on Compiling and Communicating List of Entities and Individuals Linked to Financing of Terrorism and Extremism to the Government Authorities was adopted. This Joint Order is registered in the National Register of Regulations on February 5, 2016, Reg. No.13007.</p> <p>Upon identification of assets, including ring-fenced assets in a legal entity, of a person included in the list of entities and individuals linked to financing of terrorism and extremism, the Financial Monitoring Committee shall immediately provide this information to the RK General Prosecutor's Office for making decision on seizure of such assets as prescribed by Article 12(9) of the AML/CFT Law.</p> <p>After that, a prosecutor issues a seizure order in compliance with Article 20(2) of RK Law No.2709 of December 21, 1995.</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>The asset seizure procedure is specified in Articles 161-162 of the RK Criminal Procedure Code.</p> <p>For expediting exchange of information on frozen assets among the government agencies, the Financial Monitoring Committee drafted Agreements between the RK Ministry of Finance and the RK Ministry of Internal Affairs and between the RF Ministry of Finance and the RK Ministry of Investment and Development on measures to be taken by the government authorities for freezing (suspending) transactions with funds and (or) other assets of entities or individuals included in the list of entities and individuals linked to financing of terrorism and extremism.</p> <p>Besides that, amendments and modifications are also being introduced in the cooperation procedures related to exchange and dissemination ML/FT information for sharing information on frozen assets between the Financial Monitoring Committee and the law enforcement and special government authorities.</p> <p>Thus, upon receipt of the list of entities and individuals linked to financing of terrorism and extremism in electronic form, the government authorities promptly implement freezing measures by uploading this list into their information systems, in which restrictive measures will be set up (denial of registration and re-registration). The government authorities apply, among other things, freezing measures to entities that are beneficially owned by persons included in the list in compliance with the concept of “freezing (suspending) transactions with funds and (or) other assets”.</p> <p>The methods of filing information with the designated government agency are specified in RK Government Resolution No.1483 of November 23, 2012 on Adoption of Regulation on Provision by the RK Government Authorities of Information from their Information Systems and Databases at Request of the Designated Financial Monitoring Agency.</p> <p>The Financial Monitoring Committee receives information on the undertaken freezing measures from information systems and databases in a manner specified in Article 18(2)(4) of the AML/CFT Law and by filing requests along with the list. Article 18(2)(3)</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		of the AML/CFT Law obliges the government authorities to 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.
	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.	<p><i>See actions taken to remedy deficiencies 1 and 3 under Special Recommendation III.</i></p> <p>Additional freezing measures are provided for in Article 12(9) of the AML CFT Law which stipulates that, upon identification of assets, including ring-fenced 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 provide this information, to the RK General Prosecutor's Office for making decision on seizure of such assets.</p> <p>On February 6, 2016, the list of entities and individuals linked to financing of terrorism and extremism was posted on the official website of the Financial Monitoring Committee.</p> <p>A total of 565 individuals and 80 entities were included in the list of entities and individuals linked to financing of terrorism and extremism as of April 27, 2016.</p> <p>Financial institutions froze, for indefinite period of time, 748 accounts (worth 3,426,880 tenge) held by natural persons and also froze 319 shares held by 44 individuals.</p> <p>The government authorities independently froze 153 real estate properties, including 43 land plots, owned by 109 individuals.</p>
	4. There are no procedures for removal of individuals from the list of persons associated with terrorism and extremism.	<p>According to Article 12 of the AML/CFT Law the grounds for removal of an entity or an individual from the list of entities and individuals linked to financing of terrorism and extremism are as follows:</p> <p>1) Revocation of the RK court ruling regarding liquidation of an entity due to its engagement 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</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>recognition of an entity engaged in terrorist activities or extremism in Kazakhstan and (or) in other countries as terrorist or extremist one;</p> <p>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);</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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.</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>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.</p> <p>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:</p> <ol style="list-style-type: none"> 1) To remove an entity or an individual from the said list; 2) To deny a substantiated delisting request. <p>An applicant is authorized to appeal against decision made by the designated competent agency in court.</p> <p>These amendments came into effect on February 6, 2016.</p> <p>Besides that, Joint Order of the RK Finance Minister No.576 of November 20, 2015, the RK Minister of Justice No.34 of January 25, 2016, the Chairman of the RK National Security Committee No.17 of January 14, 2016, the RK General Prosecutor No.6 of January 20, 2016, the RF Minister of Foreign Affairs No.11-1-2/539 of November 30, 2015 and the RK Minister of Internal Affairs No.962 of November 25, 2015 on Adoption of Regulation on Compiling and Communicating List of Entities and Individuals Linked to Financing of Terrorism and Extremism to the Government Authorities was registered in the National Register of Regulations on February 5, 2016, Reg. No.13007.</p>
	<p>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.</p>	<p>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</p>

<i>Рекомендации</i>	<i>Summary of factors underlying the compliance rating</i>	<i>Description of actions taken to remedy deficiencies since adoption of the Mutual Evaluation Report (since November 2015 through May 2016)</i>
		<p>expenses (basic living needs) and the basic expenses (basic living needs) of his/her dependent family members:</p> <p>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;</p> <p>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”.</p> <p>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 basic expenses (basic living needs) is adopted by the designated government agency. RK Finance Minister’s Order No.613 on Adoption of Regulation on Granting Access to Individuals Included in the List of Entities and Individuals Linked to Financing of Terrorism and Extremism to Frozen Funds for Covering Basic Expenses was signed on December 4, 2015, registered in the National Register of Regulations of the Republic of Kazakhstan (Reg. No.12823) and came into force on February 6 2016.</p>

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			
2013	306 226	982	1 076 514	1 383 722	264
2014	870 222	13 353	1 493 175	2 376 750	620
2015	768 562	19 663	1 269 342	2 057 567	840 summarized materials based on 83,880 reports received

Note: 15% decrease in number of threshold reports received in 2015 compared to 2014 is mainly due to the economic crisis and devaluation of the national currency (tenge) which affected the financial activities of companies and individuals.

TABLE 2

Reporting entities	2013				2014				2015			
	Suspicious transaction reports		CTRs	Total number of reports	Suspicious transaction reports		CTRs	Total number of reports	Suspicious transaction reports		CTRs	Total number of reports
	ML	FT			ML	FT			ML	FT		
Banks *	292 832	974	1 072 503	1 366 307	840 416	13 322	1 487 754	2 341 492	739 091	19 573	1 261 931	2 020 595
Financial institutions												
Credit institutions and their branches	According to the RK national legislation these are the second-tier banks. The statistics are provided in line "Banks" above.											
Credit unions	According to Article 3(1)(1) of the AML/CFT Law entities engaged in financial transactions include banks and entities that are engaged in certain types of banking operations, except for the operator of the interbank money transfer system. The statistics related to these entities are provided in line "Banks" above.											
Insurance/reinsurance companies	32	-	6	38	96	3	3	102	193	17	12	222
Professional securities market participants	27	-	438	465	295	-	696	991	1 995	12	429	2 436
Mortgage companies	According to Article 3(1)(1) of the AML/CFT Law entities engaged in financial transactions include banks and entities that are engaged in certain types of banking operations, except for the operator of the interbank money transfer system. The statistics related to these entities are provided in line "Banks" above.											
Pension management companies	According to Article 3(1)(4) of the AML/CFT Law the unified pension savings fund and voluntary pensions savings funds fall into the category of entities that are subject to financial monitoring. The statistics related to these funds are provided in line "Non-government pension funds".											
(Financial) leasing companies	According to Article 1 of the RK Law on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Arbitration Rules and Procedures individual and corporate individual and corporate leasing entities operating in the capacity of unlicensed lessors fall into the category of entities that are subject to financial monitoring since April 1, 2006.											

Professional money or value transfer service providers, which services include, <i>inter alia</i> , transfer of funds via special money transfer systems without opening bank account (<i>In Kazakhstan, these are e-money system operators</i>)	-	-	-	-	-	-	-	-	1	0	0	1
Professional foreign currency sale, purchase and conversion service providers (currency exchange offices)	2		1091	1093	16		1508	1524	20	0	2 292	2 312
Pawnshops and buying-up offices	<i>According to Article 1 of the RK Law on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Arbitration Rules and Procedures pawnshops fall into the category of entities that are subject to financial monitoring since April 1, 2006.</i>											
Commodity exchanges	-	-	-	-	1	-	-	1	10	0	0	10
Non-financial business entities												
Casinos (including Internet casinos), gambling venues with gambling slot machines, electronic roulette and betting equipment, and bookmaker offices	1	-	88	89	1	-	66	67	3	0	54	57
Lottery organizers and operators	<i>According to Article 3(1)(9) of the AML/CFT Law gambling and lottery organizers/operators fall into the category of entities that are subject to financing monitoring. The statistics related to this type of entities are provided in line "Casinos" above.</i>											
Non-government pension funds	-	-	17	17	2	-	12	14	2	0	1	3
Companies and agents (brokers) that are engaged in transactions with real estate property or provide	<i>According to Article 1 of the RK Law on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Arbitration Rules and Procedures individual and corporate real estate agents fall into the category of entities that are subject to financial monitoring since April 1, 2006.</i>											

intermediary services related to sale/purchase of real estate property (real estate agents)												
Dealers in precious metals, precious stones, articles made thereof (and scrap), when they carry out any cash transactions with customers	According to Article 1 of the RK Law on Amendments and Modifications to Certain Legislative Acts of the Republic of Kazakhstan Pertaining to Arbitration Rules and Procedures individual and corporate dealers in precious metals, precious stones and articles made thereof fall into the category of entities that are subject to financial monitoring since April 1, 2006.											
Other entities engaged in transactions with funds or property (assets)												
Trust management service providers, including trust companies (except for professional securities market operators/ participants)	The Kazakh legal framework does not provide for establishment of trusts, and the concept of “trust” is not defined in the civil legislation of the Republic of Kazakhstan.											
Entities that provide services related to certification or registration of immovable and movable property titles	13 311	8	1 719	15 040	29 395	28	1 663	31 086	27 241	11	1 619	28 871
Postal and telegraph service operators that render remittance (money transfer) services	21	-	652	673	-	-	1 473	1 473	6	50	3 004	3 060
Total	306 226	982	1 076 514	1 383 722	870 222	13 353	1 493 175	2 376 750	768 562	19 663	1 269 342	2 057 567

** Note: According to Article 3(1)(1) of the RK AML/CFT Law banks and entities that are engaged certain types of banking operations, including mortgage companies, credit unions and subsidiaries of the national agricultural management holding company, except for the operator of the interbank money transfer system, fall into the category of entities that are subject to financial monitoring.*

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		ML		FT	
					Cases	Persons	Cases	Persons	Cases	Persons	Cases	Persons	Cases	Amounts	Cases	Sums
2013	39	6	44	-	4	5	4	8	4	5	4	8	4	Confiscated personal property/ assets: 488,193,400 KZT; 9 real estate properties were seized; the residential apartment in Almaty city was seized.	4	Personal property was confiscated
2014	31	5	49	-	7	15	2	8	5	14	2	8	5	Personal property was confiscated	2	Confiscated personal property/ assets: 7,300 USD and 688,610 KZT

2015	54	10	68	3	4	6	3	9	4	6	3	9	7	<p>Confiscated property/assets: 100,001 Euro, 10,050 USD and 5,004,800 KZT; 174,455 tons of crude oil.</p> <p>51.8 KZT worth property was seized.</p>	11	<p>Confiscated property: 2 land plots, 320 USD and 198,000 KZT (S cost of the road transport vehicle).</p> <p>Hp notebook, X135 LG mobile phone, 19,800 KZT, 50 USD, 1 Euro, 12 soums. The residential apartment in Almaty Region was seized.</p>
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TABLE 4

Information about requests and other measures			2013	2014	2015
MLA requests	Sent		20	-	3
	Received		-	-	3
	Executed		19	-	3
	Refused		-	-	-
Extradition requests	Sent		-	1	3
	Received		-	1	-
	Executed		-	2	2
	Refused		-	-	-
Official requests for assistance through law enforcement	ML	Sent	-	-	-
		Received	-	-	-
	FT	Sent	-	-	-
		Received	-	-	-
FIU ↔ FIU requests	Requests sent/responses received		111/107	66/60	134/126
	Requests received / Responses sent		62/62	68/68	67/67
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
2013	-	-	-
2014	-	-	-
2015	-	-	-

TABLE 5.1

Year	Freezing of assets pursuant to UNSCR 1373		
	Number of transactions frozen	Number of transactions frozen	Number of transactions frozen
2013	11 (value of transactions frozen/suspended for 3, 15 days is: 872,509,000 KZT; 15,486 USD; 36,300 RUR)	-	-
2014	60 (value of transactions frozen/suspended for 3, 15 days is: 130,144,557 KZT; 12,423 thousand USD; 50,988 Euro; 6,500 RUR)	-	-
2015	28 (value of transactions frozen/suspended for 3, 15 days is: 31,840,861 KZT)		

	748 accounts were frozen for indefinite period of time 319 shares were frozen for indefinite period of time 153 real estate properties (including 43 land plots) were frozen for indefinite period of time	3 426 880 KZT	418 individuals 44 individuals 109 individuals
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Note

The data presented in column “Number of Transactions Frozen” of Table 5.1 covers all suspicious transactions potentially related to financing of terrorism and extremism that were suspended (for 3 and 15 days). Until June 2014, no measures for freezing transactions/funds/assets for indefinite period of time were taken.

Since June 2014, the statistics on debit transactions (carried through bank accounts) suspended for indefinite period of time, on frozen securities and on refused transactions related to persons included in the List are maintained separately and are not mixed with the statistics on suspended suspicious transactions.

In 2015, number transactions frozen/suspended for 3 and 15 days in column “Number of Transactions Frozen” is 28. The total value of these transactions is 31,840 861 KZT.

As for 748 frozen accounts, total amount of frozen funds of 44 individuals was equal to 3,426,880 KZT.

153 real estate properties, including 43 land plots, owned by 109 individuals were frozen.

The decline in value of the suspended transactions in 2013-2015 is mainly due to improvement of the regulatory framework, in particular due to clarification, in coordination with the law enforcement agencies, of the suspicious transaction indicators for further enhancement of effectiveness of the CFT efforts.

TABLE 6*The statistics covers the 3-years period (2013-2015)***2013**

	2013										
	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	12	-	10	-	-	10	6 193 450	-	yes	Licenses - 9	-
Financial institutions and entities											
Credit institutions and their branches	2	-	-	-	-	-	-	-	-	-	-
Credit unions	-	-	-	-	-	-	-	-	-	-	-
Insurance/ reinsurance companies	12	-	-	-	-	-	-	-	-	-	-
Professional securities market participants	9	-	8	-	-	4	2 163 750	-	-	-	-
Mortgage companies	-	-	-	-	-	-	-	-	-	-	-
Pension management companies	-	-	-	-	-	-	-	-	-	-	-

(Financial) leasing companies	-	-	-	-	-	-	-	-	-	-	-
Professional money or value transfer service providers, which services include, <i>inter alia</i> , transfer of funds via special money transfer systems without opening bank account	-	-	-	-	-	-	-	-	-	-	-
Professional foreign currency sale, purchase and conversion service providers (currency exchange offices)	206		5			5	1 875 260				
Pawnshops and buying-up offices	-	-	-	-	-	-	-	-	-	-	-
Commodity exchanges	No inspections/audits were conducted *										
Non-financial business entities											
Casinos (including Internet casinos), gambling venues with gambling slot machines, electronic roulette and betting equipment, and bookmaker offices	18		3	-	-	3	1 142 460	-	-	-	-
Lottery organizers and operators	-	-	-	-	-	-	-	-	-	-	-

Non-government pension funds	-	-	-	-	-	-	-	-	-	-	-
Companies and agents (brokers) that are engaged in transactions with real estate property or provide intermediary services related to sale/purchase of real estate property (real estate agents)	-	-	-	-	-	-	-	-	-	-	-
Dealers in precious metals, precious stones, articles made thereof (and scrap), when they carry out any cash transactions with customers	-	-	-	-	-	-	-	-	-	-	-
Other entities engaged in transactions with funds or property (assets)											
Trust management service providers, including trust companies (except for professional securities market operators/ participants)	-	-	-	-	-	-	-	-	-	-	-
Entities that provide services related to certification or	1 126		56	-	-	55	19 137 800	-	-	-	-

registration of immovable and movable property titles											
Postal and telegraph service operators that render remittance (money transfer) services	-	-	-	-	-	-	-	-	-	-	-

**According to Article 12(6) of RK Law No.377-V of January 6, 2011 on Government Oversight and Supervision in the Republic of Kazakhstan (hereinafter Law No.377-V) small businesses, including micro-businesses, are not subject to RBA-based audits and spot inspections for three years after their government registration.*

Given that the Ministry of National Economy conducted 8 scheduled inspections of commodity exchanges in 2012 and also taking into account the fact that other commodity exchanges underwent the government registration less than three years ago, no scheduled inspections/audits of commodity exchanges were conducted in 2013.

It should be noted that Law No.377-V was abolished in January 1, 2016 after the adoption of the RK Commercial Code of October 29, 2015. However, the aforementioned provision of the cancelled Law is established in Article 140(8) of the newly adopted Commercial Code.

2014

	2014										
	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	12		9			25	11 372 920				
Financial institutions and entities											
Credit institutions and their branches	2										
Credit unions											
Insurance/ reinsurance companies	14										
Professional securities market participants	12		12			23	3 426 200				
Mortgage companies											
Pension management companies											
(Financial) leasing companies											
Professional money or value transfer service											

providers, which services include, <i>inter alia</i> , transfer of funds via special money transfer systems without opening bank account											
Professional foreign currency sale, purchase and conversion service providers (currency exchange offices)	254		13		3	38	14 511 960				
Pawnshops and buying-up offices											
Commodity exchanges	No inspections/audits were conducted *										
Non-financialbusinessentities											
Casinos (including Internet casinos), gambling venues with gambling slot machines, electronic roulette and betting equipment, and bookmaker offices											
Lotteryorganizersando perators											
Non-governmentpensionfun ds	-	-	-	-	-	-	-	-	-	-	-
Companies and agents (brokers) that are	-	-	-	-	-	-	-	-	-	-	-

engaged in transactions with real estate property or provide intermediary services related to sale/purchase of real estate property (real estate agents)											
Dealers in precious metals, precious stones, articles made thereof (and scrap), when they carry out any cash transactions with customers	-	-	-	-	-	-	-	-	-	-	-
Other entities engaged in transactions with funds or property (assets)											
Trust management service providers, including trust companies (except for professional securities market operators/ participants)											
Entities that provide services related to certification or registration of immovable and movable property titles	422		21			22	8 140 800 KZT				
Postal and telegraph service operators that	No inspections/audits were conducted *										

render remittance (money transfer) services	
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2015

	2015										
	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	12		5	10		41	13556880				
Financial institutions and entities											
Credit institutions and their branches	3			5							
Credit unions											
Insurance/ reinsurance companies	12										
Professional securities market participants	11		8	11	12	74	18313680				
Mortgage companies	2										
Pension management companies											
(Financial) leasing companies	1										
Professional money or value transfer service providers, which services include, <i>inter alia</i> , transfer											

of funds via special money transfer systems without opening bank account											
Professional foreign currency sale, purchase and conversion service providers (currency exchange offices)	295		26		22	4	1 863 080				
Pawnshops and buying-up offices											
Commodity exchanges	No inspections/audits were conducted *										
Non-financialbusinessentities											
Casinos (including Internet casinos), gambling venues with gambling slot machines, electronic roulette and betting equipment, and bookmaker offices	No inspections/audits were conducted *										
Lotteryorganizersandopera tors											
Non-governmentpensionfunds											
Companies and agents (brokers) that are engaged in transactions with real estate property or provide intermediary services related to sale/purchase of real estate property (real estate agents)											

Dealers in precious metals, precious stones, articles made thereof (and scrap), when they carry out any cash transactions with customers											
Other entities engaged in transactions with funds or property (assets)											
Trust management service providers, including trust companies (except for professional securities market operators/ participants)											
Entities that provide services related to certification or registration of immovable and movable property titles	209	0	6	0	0	0	6	1 531 474	0	0	0
Postal and telegraph service operators that render remittance (money transfer) services	No inspections/audits were conducted *										

*Note **

No scheduled inspections/audits were conducted in 2015, since pursuant to the RL Law of December 2014 on Amendments and Modifications to the Legislative Acts of the Republic of Kazakhstan for Fundamental Improvement of Business Environment in Kazakhstan scheduled inspections/audits were legally abolished and replaced by RBA-based inspections/audits (i.e. inspections/audits conducted under the special procedure with the application of risk-based approach). For assisting the government regulators in developing the risk level assessment criteria for selecting entities that are subject to inspections/audits, the acting Finance Minister of the Republic of Kazakhstan issued Order No.343 of April 17, 2015 on Adoption of Methodology of Development of Risk Assessment Procedure by the Government Agencies (except for The RK National Bank) (hereinafter Methodology No.343). Based on this Methodology, the Risk Level Assessment Criteria and the Checklist for Inspection of Compliance with the RK Commodity Exchange Legislation were developed by the Ministry and adopted by Order No.471 of the RK Minister of National Economy (hereinafter Order No.471).

Besides that, joint Order of the acting RK Minister of Culture and Sports No.223 of June 25, 2015 and the acting RK Minister of National Economy No.486 of June 30, 2015 adopted the Risk Level Assessment Criteria and Templates of Checklist for Inspection of Compliance with the RK Gambling Legislation (hereinafter Joint Order No.223 and No.486).

Following adoption of the RK Commercial Code of October 29, 2015, Methodology No.343 and Order No.471 ceased to be in force.

The new Methodology was adopted by Order No.722 on Development of Risk Assessment Procedure, Templates of Mandatory Agency-Level Reports and Checklists by the Government Agencies (except for the RK National Bank) issued by the acting RK Minister of National Economy on November 25, 2015.

In this context, the RK Minister of National Economy issued Order No.128 of March 5, 2016 on Adoption of Risk Level Assessment Criteria and Checklist for Inspection of Compliance with the RK Commodity Exchange Legislation.

Currently, the RK Investment and Development Ministry undertakes efforts for developing and adopting the risk level assessment criteria.

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
2013	119	69	28	26	60	16	179	85
2014	132	77	162	60	39	72	333	287
2015	154	56	485	28	35	82	674 (80,485 transactions)	166 (3,395 transactions)

Note

The statistics presented in column “Financial investigations conducted by FIU” in Table 7 reflect the number of investigations triggered by information provided by the Financial Monitoring Committee in compliance with Article 16(5) of the AML/CFT Law.

Presented in column “Revealed connection to ML/FT as a result of data provided by reporting entities” are the statistics on transactions frozen/suspended by the Financial Monitoring Committee in compliance with Article 13(5) of the AML/CFT Law.

Presented in column “Revealed connection to ML/FT through other means (FIUs financial investigation, information of law enforcement bodies)” are the statistics related to requests by the law enforcement agencies in compliance with Article 18(3) of the AML/CFT Law.