

# International Deposit Insurance Survey

## Section 1: Background Information

### 1.1 Organization (deposit insurer) responsible for administering the deposit insurance system:

#### 1.1.1 Organization Name:

JSC "Kazakhstan Deposit Insurance Fund"

#### 1.1.2 Organization Address:

# 21, Koktem-3, 050040, Almaty, Republic of Kazakhstan

#### 1.1.3 Organization Telephone No:

+7 (727) 2720551

#### 1.1.4 Organization Fax No:

+7 (727) 2720551

#### 1.1.5 Organization Internet Address:

www.kdif.kz

### 1.2 Contact Person(s):

#### 1.2.1 Contact Person(s) Name:

Ms. Bakhytgul Tuyakova, Ms. Gulden Karabayeva

#### 1.2.2 Contact Person(s) Address:

# 21, Koktem-3, 050040, Almaty, Republic of Kazakhstan

#### 1.2.3 Contact Person(s) Telephone:

+7 (727) 2721122, 2721987

#### 1.2.4 Contact Person(s) Fax:

+7 (727) 2720551

#### 1.2.5 Contact Person(s) E-mail address:

BTuyakova@kdif.kz, GuldenK@kdif.kz

#### 1.2.6 Are there other deposit insurance systems operating in your country ? (i.e. applying to other types of non-bank or non-depository institutions e.g.. insurance, securities) Please state their name(s) and contact information:

JSC "Insurance Payments Guarantee Fund" # 21, Koktem-3, 050040, Almaty, Republic of Kazakhstan, tel:+7 (727) 2723140 www.fgsv.kz JSC "Kazakhstan Mortgage Guarantee Fund" # 98, Panfilova str., 050000, Almaty, Republic of Kazakhstan, tel: +7 (727)3334251 (\*101) www.mgf.kz

### **1.3 Please provide information on other participants in your financial system safety-net:**

#### **1.3.1 Name of Central Bank:**

National Bank of Kazakhstan

#### **1.3.2 Central Bank Address:**

# 21, Koktem-3, 050040, Almaty, Republic of Kazakhstan

#### **1.3.3 Central Bank Telephone:**

+7 (727) 2704591

#### **1.3.4 Central Bank Fax:**

+7 (727) 2704703, +7 (727)2617352, +7 (727) 2704799

#### **1.3.5 Central Bank Internet Address:**

www.nationalbank.kz

#### **1.3.6 Central Bank Contact Person:**

hq@nationalbank.kz, hq@nbrk.kz

### **1.4 Financial Supervisor:**

#### **1.4.1 Financial Supervisor Name:**

Financial Supervision Agency of Kazakhstan

#### **1.4.2 Financial Supervisor Address:**

# 67, Aiteke bi str., 050000, Almaty, Republic of Kazakhstan

#### **1.4.3 Financial Supervisor Telephone:**

+7 (727) 2788024

#### **1.4.4 Financial Supervisor Fax:**

+7 (727) 2725297

#### **1.4.5 Financial Supervisor Internet Address and contact:**

www.afn.kz, email: afn@afn.kz

### **1.5 Other related entities:**

#### **1.5.1 Other Related Entities Name:**

Ministry of Finance of the Republic of Kazakhstan

#### **1.5.2 Other Related Entities Address:**

# 11, Pobeda str., 010000, Astana city, Republic of Kazakhstan

#### **1.5.3 Other Related Entities Telephone:**

+7 (7172) 717764, +7 (7172) 717765

#### **1.5.4 Other Related Entities Fax:**

+7 (7172) 717785

### **1.5.5 Other Related Entities Internet Address:**

www.minfin.kz

## **Section 2: Objectives, Mandates & Powers**

### **2.1.1 When and why was the DIS established (please provide details)?**

Kazakhstan Deposit Insurance Fund (KDIF) was established on November 15, 1999. The KDIF was founded in order to restore public confidence in the banking system after financial crises in South East Asia (1997-98) and in Russia (1999) as well as to encourage saving.

### **2.1.2 What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?**

The deposit insurance system is aimed at ensuring the stability of the financial system including maintaining confidence in the banking system by reimbursing to depositors in case of a compulsory liquidation of a member bank. The last review of the public policy objectives was in 2006. Amendments took effect on January 1, 2007.

### **2.1.3 What process was used to determine these objectives in your country?**

### **2.1.4 What is the legal basis under which the DIS was established? Please provide a copy.**

Legislation

The legal basis for the DIS foundation was a By-law on Deposit insurance system. The By-law is not available in English.

### **2.1.5 Is there a formal process for a periodic review of the policy objectives/mandates?**

Other

There is no formal process for a periodic review of the policy objectives, but they can be revised through the process of the review of the LAW on DIS.

### **2.1.6 What sort of system do you have?**

Other

Government legislated and administered by a JSC, whose sole shareholder is Central Bank.

### **2.1.7 Who makes decisions to pay depositor claims?**

DIS

## **2.2 Which of the following powers has been provided to the DIS in order to carry out its mandate?**

### **2.3 Authority to**

#### **2.3.1 Enter into contracts**

Yes

#### **2.3.2 Set regulations or by-laws for conduct of its business**

Yes

## **2.4 Authority over entry and exit of member deposit taking institutions**

### **2.4.1 Establish terms and conditions of membership**

Yes

### **2.4.2 Authority to terminate the insured status of a member institution**

No

## **2.5 Depositor reimbursement**

### **2.5.1 Affect reimbursement of depositors claims**

Yes

### **2.5.2 Access to depositor information**

Yes

### **2.5.3 Use various methods of reimbursing depositors claims**

Yes

## **2.6 Funding**

### **2.6.1 How funding is provided**

Yes

1) premiums collection 2) 50% of capital 3) investment revenues 4) recoveries from the liquidation process

### **2.6.2 Terms and conditions of premiums or levies**

Yes

### **2.6.3 Borrowing authorities and limits**

Yes

## **2.7 Information Requirements**

### **2.7.1 Access to information directly from member deposit taking institutions or its auditors**

Yes

### **2.7.2 Access to information through supervisory authorities**

Yes

## **2.8 Enforcement and intervention**

### **2.8.1 Authority to conduct examinations and/or reviews**

No

**2.8.2 Ability to set standards or guidelines for member institutions**

No

**2.8.3 Authority to take enforcement actions against members (i.e. such as the authority to require a change in institutional control and/or behaviour).**

No

**2.8.4 Authority to cancel deposit insurance of a member institution**

No

**2.8.5 Authority to hold officers and directors of failed institutions legally liable for the failure of the institution**

No

**2.9 Failure resolution**

**2.9.1 Authority to decide on appropriate form of failure resolution**

No

**2.9.2 Authority to provide financial assistance (e.g. in the form of a loan -- with or without security -- by purchasing assets from the institution or through some other process).**

Yes

Only when conducting P&A transaction with concurrence of FSA

**2.9.3 Authority to guarantee deposits with member institutions or guarantee loans to an institution by other parties**

No

**2.10 Authority to:**

**2.10.1 Undertake formal liquidation**

No

The KDIF can assist FSA

**2.10.2 Purchase and assumption (sale and merger)**

No

**2.10.3 Open assistance (bridge bank)**

No

**2.10.4 Other forms of failure resolution**

N/A

**2.11 Optimizing recoveries**

**2.11.1 Ability to act as a receiver**

No

**2.11.2 Ability to act as a liquidator**

No

**Section 3: Governance Arrangements**

**3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)**

Yes

**3.1.2 What is the form of governance used by the DIS organization?**

Other

null|null|null|null|Shareholder- National Bank of Kazakhstan|

**3.1.3 How is the governing body selected?**

Members of the governing body (Board of directors) are appointed by shareholder's resolution.

**3.1.4 What is the composition of the governing body?**

Ex officios from Ministry of Finance, Central Bank (Chair of the Board of Directors), FSA, two independent directors and General Director of the KDIF.

**3.1.5 What are the duties and responsibilities of the governing body?**

1) to set the priority objectives of KDIF activities, 2) to determine the rate of premiums and contributory scheme, 3) to set terms and conditions of the banks' membership Contract, 4) to select a bank-agent for payout of reimbursement, 5) to make decisions on borrowing in the case of reserve deficit, 6) to grant loans to the member-banks, etc

**3.1.6 Is there any direct or indirect representation in the management of the DIS by member insured institutions?**

Yes

**3.1.7 Is there any direct or indirect representation in the management of the DIS by the central bank?**

Yes

**3.1.8 Is there any direct or indirect representation in the management of the DIS by the regulator?**

Yes

**3.1.9 Is there any direct or indirect representation in the management of the DIS by the supervisor?**

Yes

**3.1.10 Is there any direct or indirect representation in the management of the DIS by other?**

Yes

**3.1.11 Please provide a breakdown of the management structure of the DIS**

Shareholder Board of Directors Executive Body (General Director of the KDIF)

**3.1.12 Do you have an internal control and audit systems**

Yes

**3.1.13 Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities?**

Yes

**3.1.14 Is there an advisory committee to the DIS?**

Yes

**3.1.15 Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold?**

No

**3.1.16 Please indicate which of the following tools are used as part of your accountability regime.**

Annual Reports,Audited Financial Statements,Corporate Business Plan,Other Reporting Requirements  
null|null|null|null

## **Section 4: Human Resources & Infrastructure**

**4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?**

25 full-time employees, 5 - by contract.

**4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?**

Yes

dedicated staff

**4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?**

Yes

**4.1.4 Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other)**

Other

occasionally yes

**4.1.5 Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate.**

**4.1.6 Are confidentiality provisions for employees provided for?**

Yes

**4.1.7 Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS?**

No

**4.1.8 What percentage of the budget is spent on training and development and information technology?**

On training and development -1.15% of the budget, IT -2.80%.

**Section 5: Information Sharing & Interrelationship Among Safety-Net Players**

**5.1.1 Who performs examinations of DIS member institutions?**

Supervisor  
AFS and National Bank of Kazakhstan

**5.1.2 Please describe the examination process that is used to evaluate member institution performance?**

N/A. On-site inspections are conducted by FSA and National Bank of Kazakhstan.

**5.1.3 What information is collected from member institutions for the DIS and other parties?**

For DIS :information on guaranteed deposits, 2)copies of audit reports and reports on risk-management system 3) copies of reports of the international rating agencies; For FSA : financial and regulatory statements; For National Bank : financial and statistical statements.

**5.1.4 What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.**

Mutual agreement on cooperation between National Bank and KDIF, Mutual agreement on cooperation between FSA and KDIF

**5.2 On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness ( i.e. information is received when needed) of information that is shared amongst members of the safety net.**

**5.2.1 accessibility**

3

**5.2.2 timeliness**

3

**5.2.3 Is there a consistent definition/classification across authorities of problem institutions**

Other

general provisions on classification of problem banks are set by legislation, but mostly depends on expert judgement of FSA or National Bank

**5.2.4 When policy regarding the DIS and financial sector is developed or amended, are other bodies consulted and/or advised (e.g. central bank, supervisor, regulator, government, industry associations) ? If you do consult and/or advise what bodies do you do it with?**

Consult

null|null|null|

**5.2.5 Is discussion with other bodies encouraged prior to the implementation of new policy?**

Yes

**5.2.6 How often do you contact other DIS?**

Regularly

**5.2.7 Is the DIS consulted when the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems?**

No

## **Section 6: Membership**

**6.1.1 What types of institutions are covered in your DIS?**

Second-tier banks having license for accepting deposits, opening and keeping accounts of individuals.

**6.1.2 Is membership in the DIS mandatory for designated deposit taking institutions?**

Yes

**6.1.3 Do you have terms and conditions of membership? (i.e. laws, regulations or agreements which member institutions have to abide by) If so, please explain the application process used and any conditions of membership imposed on institutions by the DIS.**

Yes (please explain)

On the day of receiving license for accepting deposits, opening and keeping bank accounts of individuals, the bank must join a contract of membership and apply statement to the DIS in accordance with standard legal acts. The terms and conditions of membership are articulated in contract of membership. In the case bank refuses to join the contract, the KDIF applies to the FSA. On the ground of the KDIF' application FSA can withdraw a license from a bank for accepting deposits of individuals.

**6.1.4 Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference.**

Yes

Membership of foreign banks subsidiaries covered the same way as domestic institutions, activities of

foreign banks' branches are prohibited.

**6.1.5 If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?**

N/A

**6.1.6 Are deposit-taking institutions required to re-apply for membership after a certain period of time?**

No

**6.1.7 How many member institutions do you have?**

34 banks

**6.1.8 What is the total level of assets, deposits and insurable deposits of all DIS member institutions?**

Total insurable deposits per July 1, 2008- KZT 1.5 trillion (USD 12.3 bln) Total deposits - KZT 6.9 trillion (USD 57.4 bln) Total assets - KZT 16.2 trillion (USD 134.4 bln)

## Section 7: Coverage

**7.1.1 Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it?**

Yes (please explain)

Insured deposit is individual's deposit in national and foreign currency without any interest accrued.

**7.1.2 What types of deposits are eligible for coverage in your DIS?**

Savings account, Foreign currency deposits, Other

null|null|null|null|null|null|null|null|null|null|Current accounts and card accounts|

**7.1.3 Is coverage**

per depositor per institution

**7.1.4 What is the coverage limit per depositor?**

KZT 700 000 (approx. USD 6000)

**7.1.5 How was this figures arrived at?**

When determining the coverage limit, the KDIF took into consideration recommendations of IADI and IMF. In accordance with IMF recommendation the coverage limit in Kazakhstan is within the range of 1-2GDP per capita and IADI recommendation - the KDIF covers 90% of total deposits and about 40% of the total amount of deposits in second tier banks.

**7.1.6 For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?**

Deposits are covered regardless of maturity of deposits.

**7.1.7 What types of depositors are not eligible for coverage in your DIS?**

Corporations (domestic), Corporations (foreign)

null|null|null|null|null|

**7.1.8 Is the coverage amount indexed?**

No

**7.1.9 What is it indexed to?**

N/A

**7.1.10 Does your DIS use coinsurance? If coinsurance is used please describe the approach used.**

No

**7.1.11 Is the public widely aware of the presence of coinsurance?**

other

N/A

**7.1.12 Are coverage levels affected by resolution methods? If so, please explain.**

No

**7.1.13 To what extent, is there a public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable.**

Yes

Initiative group of depositors of a last failed bank applied to the Government, National Bank of Kazakhstan and FSA for extending to 100% coverage.

**7.1.14 How is a decision made on the insurance eligibility of new financial products?**

There is a list of financial products that are guaranteed by the DIS in the Law on DIS. In the case financial products do not meet defined criterias they shall not be guaranteed by the DIS.

**7.1.15 When member institutions merge how are insured deposits treated?**

The insured deposits are consolidated and treated under standard rules. 700 thousand KZT per institution per depositor.

**7.2 Does your country offer the following?**

**7.2.1 Islamic banking**

No

Under consideration by FSA and National Bank of Kazakhstan

**7.2.2 Islamic deposit insurance**

No

**Section 8: Funding & Fund Management**

**8.1.1 What type of funding is used by the DIS?**

A combination of the above two approaches

**8.1.2 Is the DIS funded by levying insurance premium assessments against member institutions or, by some other means such as general tax revenues?**

Premium assessment

**8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)**

Insurance premiums are assessed differentially depending on risk profiles of the banks.

**8.1.4 What is the current premium rate? If there have been changes to this rate, details would be appreciated.**

Current premiums are : classification group A -0.38%, B-0.19%, C-0.11%, D-0.08% , E-0.04%. The last changes were made on November 19,2007.

**8.1.5 How often is the premium assessed?**

The premiums are assessed on a quarterly basis.

**8.1.6 Is the premium assessed on total deposits, insured deposits or something else?**

Insured Deposits

**8.1.7 Are premiums paid by member institutions tax deductible as a business expense?**

Yes

**8.1.8 For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.**

Differential premium system includes 5 classification groups (A- the best group, E-the worst one). Pls see 11.1.4 question.

**8.1.9 Does the DIS have a target with respect to the optimal size of the DIS fund? (Yes is chosen go to question 8.10 otherwise Skip the next 2 questions)**

Yes (Go to next question)

**8.1.10 How is the optimum level (i.e. target) of the fund determined?**

In accordance with Law on DIS "The target reserve shall not be less than five percent of all insured deposits with member banks". When defining the target reserve ratio the KDIF was guided by considerations to cover deposits of one-medium sized bank without additional funding requirements.

**8.1.11 What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?**

The investment policy of the KDIF is conservative, the main goal of the policy is to retain available assets.

**8.1.12 If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions.**

Other

N/A

**8.1.13 Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to?**

Government funding,Other please explain

National Bank |null|additional and extraordinary premiums of the member-banks|

**8.1.14 Are member institutions required by law to issue, on a regular basis, subordinated debt?**

No

Member banks have a right to issue subordinated debt.

## **Section 9: Reimbursing Depositors**

### **9.1.1 Please describe the procedure for reimbursing depositors used by your DIS?**

The KDIF pays coverage through the bank-agent chosen by tender among member-banks. If no member bank meets the requirements to be a bank-agent the KDIF pays coverage through the National Postal Operator. A depositor of the compulsorily liquidated is entitled to apply to the bank-agent for reimbursement with the original bank account agreements and bank deposit and (or) deposit documents and their copies attached within six months of the announcement of the coverage commencement. The bank-agent pays coverage to depositor only after submission of identifying documents. If the depositor's rights of claims against the liquidated bank are confirmed the agent bank pays coverage within five working days of the documents being delivered to the agent bank. After six months a depositor has the right to apply to the KDIF for coverage.

### **9.1.2 Are depositors required to file a claim when a member institution fails? If so, what is the process?**

No

### **9.1.3 When is the DIS obligated to reimburse insured depositors?**

The KDIF is obligated to payout depositors within fourteen working days of the relevant court decision.

### **9.1.4 Is there an established legal basis upon which to base the reimbursement process? Please explain.**

Yes

Law "On the Obligatory Insurance of Deposits placed in Second Tier Banks of the Republic of Kazakhstan" (Law in DIS) and By-laws

### **9.1.5 Is the DIS subject to explicit standards for prompt reimbursement? If so what are they?**

Yes

There are terms and conditions in the Law on DIS for prompt reimbursement (amount of payment not more than KZT 700000, time of payment , etc. )

### **9.1.6 What methods of payment can be used and under what circumstances are they used?**

Cash, money transfer. The bank-agent pays reimbursement under the terms set by the KDIF. Methods of payments depend on depositor's decision.

### **9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.**

Yes

There is a definition on set-off in the Law on DIS. There are no definitions on clearing, trust accounts and other issues in the Law.

### **9.1.8 What are financial institutions obligated to hold with respect to deposit records?**

Full name of a depositor, full data of identity card (number, date of issue, date of expiry , etc.) and copy of identity card, number of a taxpayer and copy of the document , place of residence (address), agreements with a depositor , currency of the deposit agreements, numbers of accounts, etc.

**9.1.9 When is the DIS given access to an institutions financial and depositor records?**

The KDIF has an access to the financial and deposit records after the license withdrawal from a member-bank.

**9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?**

No

**9.1.11 Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain.**

No

**9.1.12 What information is communicated to depositors regarding the reimbursement process?**

The KDIF publishes an announcement in periodicals distributed within the Republic of Kazakhstan in the state and Russian languages concerning the compulsory liquidation of the member bank within fourteen working days of the relevant court decision, the commencement of guaranteed compensation payments with the name of the bank-agent (or National Postal Operator in the event of no bank qualifying), duration and place(s) of payments indicated and the delay in commencing the coverage.

**9.1.13 What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?**

All information on depositors is transferred from liquidator to the KDIF. The KDIF transfers the depositor records to the bank-agent by special secured interbank channel. The bank-agent loads the data into the banking system and the access to the data is restricted. Only authorized employees of the bank have an access to the data.

**9.1.14 What steps are taken to verify, reconcile and settle insured deposit accounts?**

It is a responsibility of a liquidator to verify, reconcile insured deposit accounts.

**9.1.15 What steps are taken to ensure that an institutions depositor records are accurate, up to date and accessible?**

The KDIF sets requirements to member-banks regarding keeping depositors' records. FSA (supervisor and regulator) inspect the banks whether these requirements are fulfilled by member-institutions.

**9.1.16 Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement?**

Yes

**9.1.17 What technologies does the DIS use to facilitate the reimbursement process?**

The KDIF transfer electronic version of the depositor records to the bank-agent. Bank-agent loads the data into the banking system centralized, so a depositor can be paid off in any branch of the bank-agent.

## **Section 10: Public Information & Awareness**

**10.1.1 What obligations are there to inform the public?**

1. register of member-institutions 2. financial statements of the KDIF 3. information on payout in the case of forcible liquidation of a bank

**10.1.2 Who is responsible for communicating information about the DIS to the general public?**

DIS, Supervisor, Central Bank

null|null|null|null|null|null|

**10.1.3 Are these explicitly stated in policy or law?**

Yes

**10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?**

Yes

**10.1.5 If so, what methods are utilized?**

Brochures, Telephone call center, Website, Other  
null|null|null|null|articles, interviews, etc|

**10.1.6 At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?**

It is a responsibility of the FSA to disclose information on problem banks. the KDIF discloses such an information after court' decision on forcible liquidation of a bank.

**10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.**

No

is planned in nearest future.

**10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?**

Yes

permanent campaign "Hotline".

**10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.**

The KDIF communicates through mass-media (articles, interviews, press-conferences, etc). The target audience is people of mean and middle ages, public servants, etc.(unsophisticated depositors).

## **Section 11: Risk Assessment & Intervention**

**11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?**

Yes

through differential premium system

**11.1.2 Does the DIS perform examinations of its member institutions? If not, who does?**

No

FSA

**11.1.3 Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often?**

Yes

from FSA : financial and regulatory reports of the banks, information on f sanctions and fines applied to the banks, from National Bank of Kz : statistical reports, information on violation of minimal reserve requirements by banks, etc.

**11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.**

A combined criteria approach is used. Quantitative indicators -70% out of total scores, qualitative indicators - 30%. Quantitative criterias are capital, assets quality, assets concentration, earnings and liquidity. Qualitative criterias - data on violation of prudential norms and minimal reserve requirements, absence of fines and sanctions applied by the FSA and National Bank, credit ratings provided by the international rating agencies (S&P , Fitch and Moody's).

**11.1.5 Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.**

N/A. 1. The KDIF informs FSA regarding problem banks, discloses information on the risky activities of a bank. 2. The KDIF keeps track of insured deposit base of the problem bank.

## **Section 12: Failure Resolution**

**12.1.1 Is your DIS involved in the failure resolution of member institutions?**

Yes

**12.1.2 Who determines whether a member institution has failed or is insolvent?**

Court determines whether a member institution has failed or is insolvent on application of FSA.

**12.1.3 Under what conditions can the DIS cancel/terminate the deposit insurance of a member institution?**

The KDIF can not terminate participation of a bank in the DIS.

**12.1.4 How is the failure/non viability of a member institution determined?**

Bank is recognized as a bankrupt and liquidated upon the court's decision. The court takes decision on the ground of the opinion letter of FSA.

**12.1.5 How many member institutions have failed in your country in the last 20 years?**

3 banks for the period of KDIF existence.

**12.1.6 Do banks go through the regular corporate bankruptcy process? If no, what is the process used?**

No

specific process determined by banking legislation.

**12.1.7 Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does?**

Other

Legislation sets requirements to the receiver and liquidator. There is a possibility of receiver and liquidator to be the same.

**12.2 Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 20 years.**

**12.2.1 Formal liquidation**

Yes  
the only method.

**12.2.2 Purchase and assumption (sale and merger)**

Yes  
not utilized yet.

**12.2.3 Open bank assistance (e.g. recapitalization)**

No

**12.2.4 Bridge banks and other interim solutions**

No

**12.2.5 What criteria are used to determine the method of failure resolution?**

least cost criteria.

**12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?**

No  
It is not responsibility of the KDIF.

**12.2.7 Please indicate what kind of private companies, if any, are included in the failure resolution process?**

appraisers, auditors, collecting companies , etc.

## **Section 13: Claims, Recoveries & Estate Management**

**13.1.1 Does the DIS play a role in the claims and recoveries process? If yes please describe this role**

Yes  
as members of liquidation commission

**13.1.2 What is the primary objective of the DIS when dealing with claims and recoveries (i.e.. maximization of nominal and present value recoveries, financial system stability, system discipline)?**

maximization of nominal and present value recoveries.

**13.1.3 What role does the private sector play in the claims, recovery process?**

private sector takes part in liquidation process.

**13.1.4 What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?**

no specific strategies.

**13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?**

There is no standards, as DI is not responsible for these processes.

**13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?**

Loan portfolio (there is no secondary market for these assets, frauds, etc)

**13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?**

No

**13.1.8 Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?)**

Yes

**13.1.9 Are rights of set-off available or imposed in your countrys legal system? Please describe the various forms set-off can take.**

Yes

## **Section 14: Other Issues**

**14.1.1 What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?**

Banking sector was very fast growing sector recently. Banks were exposed to the real estate sector through substantial lending to developers and purchasers and loans that use real estate as collateral. Kazakhstani banks were significantly dependent on external funding so the US sub prime crisis struck with force the financial stability of Kazakhstani banks. For the last quarter of 2007 and first half of 2008 credit growth was slowing rapidly but strong national support helped banks to resist pressure of liquidity deficit. Banking supervisor needs to be dealt with deterioration of bank asset quality, funding shortages of banks currently. For the National Bank the main issue is fighting with growing inflation in the economy.

**14.1.2 Are there any issues related to deposit insurance which you would like to see more research in?**

problem bank assets evaluation.