

THE MAIN CHANGES IN THE FINANCIAL LEGISLATION OF KAZAKHSTAN IN JANUARY-MAY 2023

GRATA International Banking & Finance Team is pleased to provide you with a brief summary of the major changes to the legislation of Kazakhstan in January-May 2023 that may affect your business.

LEGISLATIVE NOVELTIES IN KAZAKHSTAN IN JANUARY-MAY 2023:

At the beginning of the 2023, the process of making important amendments to the financial legislation of Kazakhstan continued.

For the first time in the history of Kazakhstan, the law on digital assets was adopted, aimed at creating a legal framework for the development of activity for the issuance and turnover of digital assets and digital mining in the Republic of Kazakhstan. In addition, for the first time, amendments were made to the legislation of Kazakhstan, according to which, if the creditor (creditors) are unable to satisfy the claims of an individual who is not an individual entrepreneur, procedures for restoring solvency, extrajudicial or judicial bankruptcy are applied.

Please feel free to contact us if you have any questions, we will be happy to answer them.

THE MAIN CHANGES IN THE FINANCIAL LEGISLATION OF KAZAKHSTAN IN JANUARY- MAY 2023

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- On 6 February 2023, Kazakhstan adopted the Law "On Digital Assets in the Republic of Kazakhstan" (the "**Law on Digital Assets**"), which entered into force on 1 April 2023, except for paragraph 4 of Article 8 of the Law on Digital Assets. The Law on Digital Assets has great importance, as it establishes stricter regulation of the production and turnover of digital assets (including cryptocurrency) in the Republic of Kazakhstan. The adoption of the Law on Digital Assets may significantly affect the development of digital mining in the country, as the introduction of serious restrictions may lead to an outflow of digital miners from the Republic of Kazakhstan. At the same time, the Law on Digital Assets actually legalizes the activity of cryptocurrency exchanges, although not in the entire territory of the Republic of Kazakhstan, but only in the territory of the Astana International Financial Center (the "**AIFC**"), while it is unclear whether market participants who are not AIFC participants will be able to make transactions on such exchanges and if so, what is the practical significance of such a distinction.

Changes related to mining activity

- Mining pools. From 1 April 2023, digital mining should be carried out only through digital mining pools using a digital mining data center¹. Digital mining pool is a legal entity accredited in accordance with the legislation of the Republic of Kazakhstan on digital assets, providing a service for combining the capacities of a hardware and software complex for digital mining by digital miners. The digital mining pool distributes digital assets produced as a result of their joint activity among digital miners. The digital mining pool provides monthly the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan and tax authorities with information on the income of digital miners and digital mining pools for the purposes of their taxation².
- In other words, miners will no longer be able to mine cryptocurrency "alone", they will have to do it as part of some organization that will provide and coordinate their activity, apparently according to their own rules and charging a certain fee for this, which may be unprofitable for most active miners.
- Mining pools are subject to mandatory accreditation in the Republic of Kazakhstan, which is subject to the following conditions: 1) the physical location of the hardware and software complex of the digital mining pool in the territory of the Republic of Kazakhstan; 2) availability of a test report with a positive test result for compliance with information security requirements; 3) compliance with other requirements defined by the rules for accreditation of digital mining pools.
- *Licensing of digital miners.* From 1 April 2023, instead of the notification that was submitted about the implementation of mining activity before the introduction of the new regulation, each miner must obtain a license to carry out digital mining activity from the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan³.
- A digital mining license is issued for a period of three years for one of two categories:

¹ Paragraph 1 of article 3 of the Law on Digital Assets

² Order of the Acting Minister of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan dated 26 April 2023 No. 166/NK On Approval of the Rules for Submitting Information on the Income of Digital Miners and Digital Mining Pools for the Purposes of Their Taxation

³ Paragraph 2 of article 3 of the Digital Assets Law

I - to a digital miner who has a digital mining data center with the right of ownership or other legal grounds;

II - to a digital miner who does not have a digital mining data center with the right of ownership or other legal grounds and carries out digital mining using the digital mining hardware and software complex owned by him, located in the digital mining data center⁴.

- Digital regulations prohibit activities that are not related to digital mining activity, as well as the acquisition of shares in the authorized capital or shares of legal entities, the creation and participation in the activity of non-profit organizations, with the exception of membership in a self-regulatory organization and the National Chamber of Entrepreneurs of the Republic of Kazakhstan⁵.
- The digital mining activity can be carried out in the territory of the Republic of Kazakhstan by individual entrepreneurs and legal entities of the Republic of Kazakhstan⁶. Thus, we understand that activity as digital miners of individuals who are not registered as individual entrepreneurs are prohibited in the territory of the Republic of Kazakhstan.
- *The requirement for the mandatory sale of digital assets obtained as a result of digital mining.* In accordance with the Law on Digital Assets, digital assets obtained as a result of digital mining are subject to mandatory sale through digital asset exchanges licensed by the AIFC from 1 January 2024 to 1 January 2025 - in the amount of at least fifty percent; from 1 January 2025 - in the amount of at least seventy-five percent in accordance with the rules for reporting income of digital miners and digital mining pools for tax purposes⁷.
- Thus, apparently in order to support and develop the Kazakhstani crypto-currency market and Kazakhstani crypto-exchanges, a serious restriction has been established for miners in the way they sell mined digital assets - only on the AIFC exchange.
- *Regulation of the purchase of electricity by digital miners.* In addition to the adoption of the Law on Digital Assets from 1 April 2023, amendments were made to the Law of the Republic of Kazakhstan dated 9 July 2004 No. 588-II "On Electricity", according to which certain restrictions were established on the purchase of electricity by digital miners. Now digital miners will be able to purchase electricity only as follows⁸:
 - 1) within the established quotas determined by the system operator in the event that it has a surplus of electric energy. At the same time, the purchase of electrical energy by digital miners is carried out on the wholesale market in the amount of at least 1 megawatt of average daily (base) power, purchased at centralized auctions of electrical energy by way of competitive bidding;
 - 2) produced outside the Republic of Kazakhstan within the technical feasibility of the unified electric power system of the Republic of Kazakhstan, determined by the system operator;
 - 3) from energy producing organizations using renewable energy sources;

⁴ Article 9 of the Law on Digital Assets

⁵ Paragraph 6 of article 8 the Law on Digital Assets

⁶ Paragraph 5 of article 8 the Law on Digital Assets

⁷ Paragraph 4 of article 8 the Law on Digital Assets

⁸ Paragraph 1 and 2 of article 9-4 of the Law of the Republic of Kazakhstan dated 9 July 2004 No. 588-II "On Electricity"

4) from the settlement and financial center for the support of renewable energy sources;

5) from generating installations which are not connected to the unified electric power system of the Republic of Kazakhstan, with the exception of energy producing organizations connected to the unified electric power system of the Republic of Kazakhstan as of 1 January 2023.

- Digital miners are required to have automated systems for commercial accounting of electrical energy, telecommunications systems that ensure their unification with systems, a load disconnect device installed at the system operator and at the power transmission organization when connected to their networks⁹.
- From 1 April 2023, energy-producing organizations are prohibited from selling electricity to digital miners, with the exception of selling electricity at centralized auctions¹⁰. Energy supply organizations are prohibited from selling electrical energy to digital miners¹¹.

Changes regarding digital asset exchanges (cryptocurrency exchanges)

- Digital asset exchanges, including cryptocurrency exchanges, are still allowed only in the territory of the AIFC. The requirements for digital asset exchanges and the procedure for their licensing in the AIFC are determined by the AIFC acts. The second-tier bank of the Republic of Kazakhstan opens bank accounts in accordance with the legislation of the Republic of Kazakhstan for the digital asset exchange, as well as to the AIFC participant who has the appropriate license to carry out activity related to digital assets¹².
- Thus, the legislation of the Republic of Kazakhstan contains a reference to the AIFC legislation on all issues of the creation, operation and regulation of crypto exchanges. In order to operate a crypto exchange in the AIFC, it is necessary to obtain the so-called "principal approval" of the AIFC regulator (AFSA) for a license, after which a legal entity is created in accordance with the AIFC legislation and the AFSA issues a license to such a legal entity.
- Digital asset exchanges are required to notify individuals and legal entities of the risks associated with buying, holding and transacting with unsecured digital assets¹³.

Changes regarding digital assets

- As before the adoption of the Law on Digital Assets, the legislation of the Republic of Kazakhstan distinguishes between two types of digital assets - secured and unsecured digital assets.
- *Secured digital assets.* A secured digital asset has to meet the following requirements:
 - 1) certifies the right to material, intellectual services and assets, with the exception of money and securities;

⁹ Paragraph 3 of article 9-4 of the Law of the Republic of Kazakhstan dated 9 July 2004 No. 588-II "On the electric power industry"

¹⁰ Subparagraph 1-2) paragraph 3-2 of article 13 of the Law of the Republic of Kazakhstan dated 9 July 2004 No. 588-II "On Electricity"

¹¹ Subparagraph 1) paragraph 3-3 of article 13 of the Law of the Republic of Kazakhstan dated 9 July 2004 No. 588-II "On Electricity"

¹² Article 11 of the Law on Digital Assets

¹³ Paragraph 3 of article 11 of the Law on Digital Assets

- 2) makes a decision to issue a secured digital asset which decision must be executed in accordance with the rules established by the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan;
- 3) is not a unit of account, legal tender;
- 4) not recognized as a financial instrument or financial asset;
- 5) contains data on the person who issued the secured digital asset;
- 6) has confirmation of property and (or) intellectual rights to the asset before its formation as a secured digital asset;
- 7) has a record in the blockchain network about the movement of the asset and (or) the right to property ¹⁴.

- In case of non-compliance with the above requirements, a digital asset cannot qualify as a secured digital asset ¹⁵.
- Thus, most of the world's cryptocurrencies cannot be considered as a secured digital asset for the purposes of the legislation of the Republic of Kazakhstan, as they will not comply with the criteria established by the legislation of the Republic of Kazakhstan for secured digital assets, in particular, they will not "certify the right to tangible, intellectual services and assets, except for money and securities" and will not have a "decision to issue a secured digital asset".
- *Permission to issue and circulate secured digital assets.* With the adoption of the Law on Digital Assets, a person intending to issue and circulate secured digital assets must obtain permission from the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan to do so¹⁶. Such a person may be an individual entrepreneur or a legal entity of the Republic of Kazakhstan operating a digital platform for storing and exchanging secured digital assets.
- The person initiating the issuance of secured digital assets is the owner of the property or the person who owns the rights evidenced by the secured digital asset. It is not clear who is the person "initiating" the issuance of secured digital assets and how it differs from the person "executing" the issue of secured digital assets.
- *Rights to secured digital assets.* The rights certified by the secured digital assets arise from the moment the record of the transfer of digital assets to the specified person is posted on the digital platform for the storage and exchange of secured digital assets. The type and scope of rights that certify the issued secured digital assets are determined by the decision to issue secured digital assets. The release of a secured digital asset is carried out by placing an entry on a digital platform for the storage and exchange of secured digital assets by a person issuing and circulating digital assets, only after verifying the presence of its security¹⁷.
- *Unsecured digital assets.* Unsecured digital assets are still not recognized as financial instruments or financial assets in the territory of the Republic of Kazakhstan, moreover, the issuance and turnover of unsecured digital assets, as well as the activity of digital asset exchanges for unsecured digital assets, with the exception of the AIFC territory, are prohibited. The owner of unsecured digital assets resulting from digital mining is a digital miner.

¹⁴ Paragraph 1 of the article 5 of the law on Digital Assets

¹⁵ Paragraph 2 of the article 5 of the law on Digital Assets

¹⁶ Paragraph 2 of the article 6 of the law on Digital Assets

¹⁷ Article 6 of the law on Digital Assets

- According to our interpretation of the legislation, most cryptocurrencies are classified as unsecured digital assets in terms of the legislation of the Republic of Kazakhstan. Accordingly, the issue and turnover of cryptocurrencies, unsecured assets, as well as the activity of crypto exchanges in relation to such cryptocurrencies, are prohibited in the territory of the Republic of Kazakhstan and can only be carried out in the territory of the AIFC, namely on crypto exchanges created and licensed in accordance with the legislation of the AIFC. Apparently, such a ban exists in order to protect citizens from the risks associated with the issuance and circulation of unsecured cryptocurrencies, and it is assumed that transactions with such crypto currency will not be so risky if they are carried out on licensed exchanges "under the supervision" of AFSA.

The Law on Restoration of Solvency and Bankruptcy of Citizens of the Republic of Kazakhstan

- On 30 December 2022, the Law "On the Restoration of Solvency and Bankruptcy of Citizens of the Republic of Kazakhstan" (the "**Law on the Restoration of Solvency**") was published, which entered into force in March 2023.
- This law is of great importance, since for the first-time citizens of the Republic of Kazakhstan who are not individual entrepreneurs have the opportunity to write off their debts to creditors under certain conditions. Prior to the entry into force of the Law on the Restoration of Solvency, individual debtors who, for objective reasons, did not have the opportunity to pay off their creditors, had to be under certain restrictions all their lives (such as a travel ban, a ban on certain actions, the need to constantly report on their income etc.) without the prospect of changing the situation for the better. The Law on the Restoration of Solvency will allow such persons to get rid of debts and start life "from scratch".
- Considering international practice, the Law on the Restoration of Solvency provides for three procedures: out-of-court bankruptcy, judicial bankruptcy and restoration of solvency.
- All these procedures are initiated only by the borrower, the lender does not have the right to apply these procedures to the borrower.
- The authorized body in the field of restoration of solvency and bankruptcy of citizens is the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan ¹⁸.
- According to the Law on the Restoration of Solvency, out-of-court bankruptcy can only be applied to debts due to banks, MFO and collection agencies, not exceeding 1,600 MCI (5.5 million tenge). Regarding judicial bankruptcy and solvency restoration procedures, such procedures can be carried out in relation to debts to any creditors, including foreign ones, exceeding the specified amount.
- From the date of initiation of proceedings on judicial bankruptcy and restoration of solvency, the debt obligations shall be considered expired, the accrual of penalties shall cease, it is prohibited to demand from the debtor the performance of obligations by the creditors indicated in the application for the procedure for restoration of solvency or judicial bankruptcy, and the debtor is prohibited from assuming new monetary or property obligations, travel outside the Republic of Kazakhstan is prohibited, and the execution of earlier court decisions regarding the debtor's property is suspended.
- Restoration of solvency provides for the possibility of fixing court approved installments to pay debts (up to 5 years) if there is a stable income. The financial manager, within one month from the date of entry into force of the court decision on the application of the procedure for restoring solvency is obliged with the participation of the debtor to develop a draft plan for restoring solvency based on the form of a standard plan. The recovery plan is approved in court.
- After the recognition of bankruptcy, citizens:
 - will be limited to obtaining loans and credits for 5 years – except for obtaining micro-loans from pawnshops;
 - they will be able to apply for a second procedure only after 7 years;

¹⁸ Regulations on the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan (SRC MF RK), approved by the Order of the Minister of Finance of the Republic of Kazakhstan dated 14 June 2016 No. 306

- in addition, their financial condition will be monitored for 3 years after bankruptcy.
- These procedures of out-of-court bankruptcy, restoration of solvency and judicial bankruptcy are briefly described in the table below.
- Concomitant amendments were adopted to a number of legal acts (Civil Code of the Republic of Kazakhstan, Code of the Republic of Kazakhstan on Administrative Offenses, Code of Criminal Procedure of the Republic of Kazakhstan, Civil Procedure Code of the Republic of Kazakhstan, Code of the Republic of Kazakhstan "On Customs Regulation in the Republic of Kazakhstan", Law of the Republic of Kazakhstan "On Banks and Banking Activity in the Republic of Kazakhstan", the Law of the Republic of Kazakhstan "On the Securities Market", the Law of the Republic of Kazakhstan "On Microfinance Activity", the Law of the Republic of Kazakhstan "On Personal Data and Data Protection", others) on the restoration of solvency and bankruptcy of citizens of the Republic of Kazakhstan.
- For example, some amendments were introduced to the Law of the Republic of Kazakhstan dated 31 August 1995 No. 2444 "On Banks and Banking Activity in the Republic of Kazakhstan" (the "**Banking Law**") and the Law of the Republic of Kazakhstan dated 26 November 2012 No. 56-V "On Microfinance Activity" (the "**Law on Microfinance Activity**").
- In connection with the changes introduced by the Law on Restoration of Solvency, now the Banking Law provides for paragraph 2-1 of Article 8-1 that the bank is not entitled to issue bank loans to a citizen of the Republic of Kazakhstan from the date of the announcement of the completion of the out-of-court bankruptcy procedure or the judicial bankruptcy procedure in the manner prescribed by the Law on the Restoration of Solvency, as well as to accept security from such persons in the form of collateral, guarantees and sureties under bank loan agreements for five years.
- A similar clause was introduced into the Law on Microfinance Activity. Thus, paragraphs 1-5 of the article 3 provide that a microfinance organization is not entitled to provide microcredits to a citizen of the Republic of Kazakhstan from the date of placement of an announcement on the completion of an out-of-court bankruptcy procedure or a judicial bankruptcy procedure in the manner prescribed by the Law on the Restoration of Solvency, as well as accept security from such persons in the form of collateral, guarantees and sureties under microcredit agreements for five years. The requirements of this paragraph do not apply to microcredits provided by pawnshops secured by movable property that is not subject to state registration.
- Further, according to paragraph 7 of the article 5 of the Banking Law, certificates of the availability and numbers of bank accounts of an individual, on the balances and movement of money on these accounts, as well as available information on the nature and value of his property stored in safe boxes, cabinets and premises of the bank are issued to the financial manager on the basis of a request for information for a period of three years before initiating a case on the application of the procedure for restoring solvency or the procedure for judicial bankruptcy with the authorization of the prosecutor. In order to confirm the authority, a court ruling on initiating a case on the application of the procedure is attached to the request. Moreover, such certificates are now also issued to the authorized body in the field of public administration for restoring solvency and bankruptcy of citizens of the Republic of Kazakhstan.
- Paragraph 4 of Article 21 of the Law on Microfinance Activity was supplemented so that information about borrowers, the amount of microcredits, other conditions of the microcredit agreement related to the borrower, about operations carried out by the microfinance organization, are issued to similar persons and on a similar basis as the Banking Law amendments.

Procedure	Out-of-court bankruptcy	Judicial bankruptcy	Restoration of solvency
Debts in respect of which the procedure can be applied	<ul style="list-style-type: none"> To second-tier banks, branches of a non-resident bank of the Republic of Kazakhstan, organizations engaged in certain types of banking operations, organizations engaged in microfinance activity, or collection agencies. 	<ul style="list-style-type: none"> To any creditors 	
Base	<ul style="list-style-type: none"> Availability of obligations that do not exceed 1600 times the size of the monthly calculation index, and the compliance of the debtor in the aggregate with the following conditions: <ul style="list-style-type: none"> 1) absence of ownership of property, including property in common ownership; 	<ul style="list-style-type: none"> Availability of obligations exceeding 1600 times the size of the monthly calculation index²², and compliance with the following conditions: <ol style="list-style-type: none"> 1) obligations to creditors are not repaid for twelve consecutive months as of the date of filing such an application; 2) in relation to the debtor, procedures were carried out to settle and (or) recover unfulfilled obligations under a bank loan agreement and (or) a microcredit agreement within a period not exceeding eighteen months from the date of occurrence of the overdue debt; 3) non-application of the out-of-court or judicial bankruptcy procedure for seven years as of the date of filing the application²³. 	

²² According to paragraph 3 of Article 6 of the Law on Restoration of Solvency, the provision of paragraph 1 of Article 6 regarding the amount of the debtor's obligations does not apply if the creditor is:
an individual;

a legal entity, including a creditor under the out-of-court bankruptcy procedure, in respect of which the debtor does not meet the condition provided for in subparagraph 1) paragraph 1 of Article 5 of the Law on the Restoration of Solvency ("absence of property on the right of ownership, including property in common ownership;").

²³ According to paragraph 2 of Article 6 of the Law on the Restoration of Solvency, a debtor, the amount of all obligations of which (including the due date for which has not come) does not exceed the value of the property belonging to him, has the right to apply to the court only with an application for the application of the procedure for restoring solvency.

	<p>2) for obligations to creditors specified in the application, there is no repayment within twelve consecutive months as of the date of filing such an application ¹⁹;</p> <p>3) in relation to the debtor, procedures were carried out to settle and (or) recover unfulfilled obligations under a bank loan agreement and (or) a microcredit agreement within a period not exceeding eighteen months from the date of occurrence of the overdue debt;</p> <p>4) non-application of the out-of-court or judicial bankruptcy procedure for seven years as of the date of filing the application ²⁰; OR срок неисполнения обязательств составляет the term of non-fulfillment of obligations is more than five years as of the date of filing the application²¹.</p>		
Duration	<ul style="list-style-type: none"> • Six months from the date of posting information 	<ul style="list-style-type: none"> • The term of the judicial bankruptcy procedure is no more than six 	<ul style="list-style-type: none"> • The term for the implementation of the solvency restoration plan shall not exceed five years, with

¹⁹ According to paragraph 2 of Article 5 of the Law on the Restoration of Solvency, despite the provision of subparagraph 2) of paragraph 1 of Article 5, the debtor has the right to submit an application if the Debtor is a recipient of state targeted social assistance within six months preceding the date of submission of the application

²⁰ Paragraph 1 of article 5 of the Law on Restoration of Solvency

²¹ Paragraph 3 of article 5 of the Law on the Restoration of Solvency

	about the debtor on the electronic-government web portal ²⁴ .	months from the date of entry into force of the court decision on the application of the judicial bankruptcy procedure ²⁵ , with the possibility of extension by the court for no more than six months if there are grounds provided for by the Law on the Restoration of Solvency.	the exception of obligations that have a longer term than the term for the implementation of the solvency restoration plan, which must be fulfilled in accordance with the plan ²⁶ .
Main stages	<ul style="list-style-type: none"> The debtor submits an application for the application of the out-of-court bankruptcy procedure through the State Corporation "Government for Citizens" in the prescribed form²⁷. If the debtor complies with the grounds for applying the procedure, information about the debtor is posted on the e-government web portal within fifteen working days by the 	<ul style="list-style-type: none"> The debtor applies to the court for the application of the procedure for restoring solvency or judicial bankruptcy²⁹. The court, no later than ten working days from the date of receipt of the application, issues a ruling on the initiation of a case on the application of the procedure for restoring solvency or the procedure for judicial bankruptcy if the application complies with the conditions established by article 20 of the Law on Restoration Solvency³⁰. From the date of the ruling on the initiation of proceedings on the application of the procedure for restoring solvency or judicial bankruptcy: <ol style="list-style-type: none"> the terms of the debtor's debt obligations specified in the application for the application of the procedure for restoring solvency or judicial bankruptcy are considered expired; it is prohibited to demand from the debtor the performance of obligations by the creditors indicated in the application for the application of the procedure for restoring solvency or judicial bankruptcy; 	

²⁴ Article 17 of the Law on Restoration of Solvency

²⁵ Paragraph 1 of article 37 of the Law on Restoration of Solvency

²⁶ Paragraph 1 of article 29 of the Law on Restoration of Solvency

²⁷ Article 16 of the Law on Restoration of Solvency

²⁹ Paragraph 1 of article 20 of the Law on Restoration of Solvency

³⁰ Paragraph 1 of article 21 of the Law on Restoration of Solvency

	<p>authorized body (the "AB"), the following consequences occur from the moment of posting:</p> <p>1) the terms of the debtor's debt obligations to creditors specified in the application for the application of the out-of-court bankruptcy procedure are considered expired;</p> <p>2) it is prohibited to require the debtor to fulfill obligations by creditors specified in the application for the application of the out-of-court bankruptcy procedure;</p> <p>3) the accrual of penalties (penalties, fines) and remuneration for all types of debt of the debtor to creditors specified in the application for the application of the out-of-court bankruptcy procedure is terminated;</p> <p>4) the debtor is prohibited from assuming new monetary or property obligations (except for obtaining micro-loans from pawnshops);</p>	<p>3) the accrual of penalties (penalties, fines) and remuneration for all types of debt of the debtor to creditors specified in the application for the application of the procedure for restoring solvency or judicial bankruptcy is terminated;</p> <p>4) the debtor is prohibited from assuming new monetary or property obligations (except for obtaining micro-loans from pawnshops);</p> <p>5) the debtor's consent to creditors receiving information about his property from state bodies and other bodies and organizations is considered granted;</p> <p>6) it is prohibited for the debtor to leave the Republic of Kazakhstan, except in cases where it is necessary to carry out treatment, accompany a close relative for treatment, conduct the burial of a close relative outside the Republic of Kazakhstan;</p> <p>7) it is not allowed to recover money from the debtor's bank accounts to satisfy creditors' claims, as well as foreclosure on the debtor's property;</p> <p>8) claims against the debtor may be filed only within the framework of the procedure for restoring solvency or judicial bankruptcy, except for the case provided for in paragraph 2 of this article;</p> <p>9) the execution of earlier court decisions regarding the debtor's property is suspended;</p> <p>10) the execution of decisions of state bodies, other bodies and organizations for which the debtor is obliged to transfer property, make payment or otherwise fulfill property obligations is suspended³¹.</p> <ul style="list-style-type: none"> • within two working days from the date of issuance of a court ruling on initiating the procedure for restoring solvency or judicial bankruptcy, the AB appoints a financial manager (the "FM"), who, within two working days from the date of appointment, sends an advertisement to the MA for placement on the Internet resource. Kazakh and Russian languages on the initiation of proceedings on the application of the procedure for restoring solvency or judicial bankruptcy and the procedure for filing claims by creditors. The MA, within two working days from the date of receipt of the announcement, places it on its Internet resource.
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³¹ The provisions of subparagraphs 1), 2), 3), 7), 8) and 9) do not apply to claims for alimony and for compensation for harm caused to life or health.

	<p>5) the debtor's consent to receive information about his property from AB, including common joint property from state bodies and other bodies and organizations for a period of up to three years prior to the application of the out-of-court bankruptcy procedure is considered granted;</p> <p>6) it is not allowed to recover money from the debtor's bank accounts to satisfy creditors' claims;</p> <p>7) the execution of court decisions on debt collection is suspended²⁸.</p> <ul style="list-style-type: none"> If there are no grounds for terminating the out-of-court procedure, after six months from the date of the debtor's application for the application of the out-of-court bankruptcy procedure, the AB shall issue a decision to complete the out-of-court bankruptcy procedure and declare the debtor bankrupt. 	<ul style="list-style-type: none"> claims of creditors against the debtor must be filed by them within twenty working days from the date of placement of the announcement of initiation of proceedings in the case on the application of the procedure for restoring solvency or judicial bankruptcy and the procedure for filing claims by creditors on the Internet resource of the AB. the FM, within ten working days from the date of the end of the above period, sends to the AB for posting on the Internet resource the register of creditors' claims, which is posted by the AB on its internet resource no later than two working days from the date of receipt. FM conducts an inventory of the debtor's property within ten working days from the date of the court's ruling on the initiation of a case on the application of the procedure for restoring solvency or judicial bankruptcy, and also conducts its assessment with the involvement of an appraiser. Within twenty working days from the date of the court's ruling on the initiation of a case on the application of the procedure for restoring solvency or the procedure for judicial bankruptcy, the FM draws up a conclusion containing one of the following conclusions: <ul style="list-style-type: none"> 1) the debtor is insolvent and there are grounds for applying the solvency restoration procedure; 2) the debtor is insolvent and there are grounds for applying the bankruptcy procedure; 3) the debtor is solvent and there are no grounds for applying the procedure for restoring solvency or judicial bankruptcy. The conclusion is submitted to the court, and on the basis of the conclusion, the court makes an appropriate decision: 	
		<p>The decision to apply bankruptcy proceedings</p> <ul style="list-style-type: none"> After the decision is made, the FM sends to the AB an announcement on the application of the bankruptcy court procedure for posting on the AB's internet resource. 	<p>The decision to apply the solvency restoration procedure</p> <ul style="list-style-type: none"> After the decision is made, the consequences provided in paragraph 1

²⁸ Paragraph 2 of article 17 of the Law on the Restoration of Solvency.

		<ul style="list-style-type: none"> • The right to manage the debtor's property passes to the FM. The FM sells the debtor's property by conducting an electronic auction or by direct sale in accordance with the plan for the sale of the debtor's estate, agreed with creditors, and distributes the funds received among creditors in accordance with the order established by the Law on the Restoration of Solvency. • There is a removal of all restrictions and encumbrances on the debtor's property (collection orders issued to his accounts, property arrests and others) without making appropriate decisions of the bodies that imposed them, based on the application of the FM. • the debtor is prohibited from assuming new monetary or property obligations (except for obtaining micro-loans from pawnshops); it is prohibited to leave the Republic of Kazakhstan. • After completing settlements with creditors, the FM draws up and submits to the court a final report and an opinion on the presence or absence of grounds for terminating the obligations of a bankrupt. 	<p>of article 22 of the Law on the Restoration of Solvency remain.</p> <ul style="list-style-type: none"> • Within no later than two months from the date of entry into force of the decision on the application of the procedure for restoring solvency, the FM submits to the court a plan for restoring solvency, developed by it jointly with the debtor and, as far as possible, agreed with creditors. • From the date of entry into force of the court 's ruling on the approval of the solvency restoration plan , the following consequences occur:³² <ol style="list-style-type: none"> 1) the debtor's obligations are subject to performance in the manner and on the terms provided for by the solvency restoration plan; 2) the debtor is prohibited from making transactions on the alienation of his property or assuming new obligations that are not provided by the solvency restoration plan; 3) on the basis of the debtor's application, the submitted copy of the court ruling on the approval of the solvency restoration plan, restrictions on the debtor's property are lifted;
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³² Article 31 of the Law on Restoration of Solvency

		<ul style="list-style-type: none"> • The court approves the final report of the FM and decides on the completion of the bankruptcy proceedings and the termination of the obligations of the bankrupt that remained unfulfilled during the bankruptcy proceedings, or on the refusal of such termination, no later than one month from the date of receipt of the case to the court. • In the absence of the circumstances provided in article 45 of the Law on Restoration of Solvency, the court decides on the completion of the judicial bankruptcy procedure and termination of the bankrupt's obligations that remained unfulfilled during the judicial bankruptcy procedure. 	<p>4) accrual of interest on loans received is terminated;</p> <p>5) the debtor is prohibited from making transactions to obtain loans (except for obtaining micro-loans from pawnshops), issuing guarantees and sureties.</p> <ul style="list-style-type: none"> • At the end of the term of execution of the debtor's solvency restoration plan on the day following the expiration date, sends a notice to creditors on the execution of the solvency restoration plan and applies to the court with a request to complete the procedure. • The court, within ten working days from the date of receipt of the debtor's application, makes a decision on the completion of the solvency restoration procedure.
<p>Consequences of the procedure</p>	<ul style="list-style-type: none"> • The debtor's obligations specified by him in the application for the application of the out-of-court bankruptcy procedure are terminated from the date of posting on the e-government web portal of the announcement of the completion of the out-of-court bankruptcy procedure and the recognition of the debtor 	<ul style="list-style-type: none"> • The obligations of the bankrupt that remain unfulfilled following the results of the judicial bankruptcy procedure are terminated (with the exception of the obligations specified in article 46 of the Law on Restoration of Solvency (alimony, compensation for damage to life and health, damage for criminal offenses and payments to the budget by court decision, etc.). • The debtor is prohibited from making transactions for obtaining loans (except for obtaining micro-loans from pawnshops), issuing guarantees and sureties for five years. 	<ul style="list-style-type: none"> • The debtor's obligations are terminated when the debtor fulfills the solvency recovery plan. • The debtor's solvency is considered restored. • The debtor's obligations to fulfill 1) the obligations provided in article 46 of the Law on the Restoration of Solvency (alimony, compensation for damage to life and health, damage to criminal offenses and payments to the budget by court decision, etc.) are remained;

	<p>as bankrupt,³³ and the following consequences:</p> <ul style="list-style-type: none"> - within five years from the date of placement of the announcement of the completion of the out-of-court bankruptcy procedure, no loan is issued (except for obtaining microcredits from pawnshops), - security in the form of pledge, guarantees and sureties under bank loan agreements and micro-credit provision are not accepted.³⁴ 		<p>2) obligations that have a longer period than the term of execution of the plan for the restoration of solvency, on the terms, provided for by such a plan.</p>
Monitoring	Not applicable	<p>Applicable. As part of the monitoring of the financial condition, the debtor's actions committed in personal interests with the aim of evading obligations to creditors are checked, the results of which may be the basis for termination of the procedure or for refusal to terminate the obligations of the bankrupt.</p> <p>Monitoring of the financial condition of the bankrupt is carried out by the AB for three years after the debtor is declared bankrupt.</p> <p>Creditors, upon receiving information from the AB, have the right to apply to the court for the cancellation of the recognition of the debtor as bankrupt and the resumption of bankruptcy proceedings.</p>	

³³ Paragraph 2 of article 19 of the Law on the Restoration of Solvency

³⁴ Paragraph 3 of article 19 of the Law on the Restoration of Solvency

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This information is provided for your convenience and does not constitute legal advice. It is prepared for the general information of our clients and other interested persons. This information should not be acted upon in any specific situation without appropriate legal advice.

We hope the review given above will be useful for you. Please feel free to contact us by finance_securities@gratanet.com if you have any questions or comments. We would be happy to get any feedback.

Best Regards,

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