

SM/14/170  
Supplement 1  
Correction 1

July 28, 2014

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Kazakhstan—Staff Report for the 2014 Article IV Consultation—  
Informational Annex**

The attached corrections to SM/14/170, Sup. 1 (6/23/14) have been provided by the staff:

**Factual Error Not Affecting the Presentation of Staff's Analysis or Views**

**Page 3, para. 3, line 7:** for "...2004, March 2008, and February 2013." read "2004, March 2008, and February 2014."

Comment: February 2013 should be February 2014 (the correct date on which the last FSAP update took place).

**Typographical Error**

**Page 3, para. 2, line 1:** for "Kazakhstan is n the standard 12-month consultation cycle," read "Kazakhstan is on the standard 12-month consultation cycle,"

Questions may be referred to Mr. Epstein (ext. 38452) and Mr. Samiei (ext. 36356) in MCD.

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Att: (1)

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**Exchange rate arrangements**

The currency of Kazakhstan is the tenge, which was introduced in November 1993. The official exchange rate is determined on the basis of foreign exchange auctions that are held daily. Auctions are held for U.S. dollars, euros, and Russian rubles, and official rates are quoted for over 30 other currencies on the basis of cross-rates. From late 1999 to October 2007, the exchange rate regime was a managed float with no preannounced path. From October 2007 the tenge was maintained within a narrow range against the U.S. dollar. In February 2009, the tenge was devalued by 18 percent against the US dollar, and a trading band of T150/USD +/- 3 percent was established. In February 2010, the trading band was widened and set at an asymmetric T150/USD +10/-15 percent. In February 2011, the trading band was officially abolished, and the de jure exchange rate arrangement was changed from a pegged exchange rate within horizontal bands to a managed float. Between September 2013 and February 2014, the tenge was managed within an unofficial 2 percent band against a basket of currencies comprised of the U.S. dollar (70 percent), the euro (20 percent), and the Russian ruble (10 percent). Since February 2014 (following an 18 percent devaluation against the U.S. dollar), the tenge has stabilized within a trading band of T185/USD +/- 3 tenge/USD. The de facto exchange rate has been reclassified from a crawl-like to a stabilized arrangement, effective February 11, 2014. The NBK may conduct foreign exchange operations both on the regulated Kazakhstan Stock Exchange (KASE) and in the interbank foreign exchange markets. The NBK intervenes on its own behalf directly with market participants based on their quotes and does not publish information on its interventions. The exchange system is free from restrictions on payments and transfers for current international transactions.

**Article IV Consultation**

Kazakhstan is on the standard 12-month consultation cycle, in accordance with the Decision on Article IV Consultation Cycles (Decision No. 14747–(10/96) (9/28/2010). The last consultation was concluded on June 18, 2013 (see IMF Country Report No. 13/290).

**FSAP participation and ROSCS**

Kazakhstan participated in the Financial Sector Assessment Program (FSAP) in 2000. The staff report on the Financial Sector Stability Assessment (FSSA) was issued on November 27, 2000 (FO/DIS/00/142). The FSSA included the following ROSC modules: Basel Core Principles for Effective Banking Supervision, Core Principles for Systemically Important Payment Systems, Code of Good Practices on Transparency in Monetary and Financial Policies, IOSCO Objectives and Principles of Securities Regulation, and IAIS Insurance Core Principles. FSAP Updates were conducted in February 2004, March 2008, and February 2014<sup>43</sup>. The fiscal transparency module was completed in October 2002 and the final report published in April 2003. A data module mission took place in April/May 2002, and its final report was published in March 2003. An update of the data ROSC was undertaken in 2006 and the report was published in February 2008 (IMF Country Report No 08/56, Annex V).

## AML/CFT assessment

Kazakhstan's anti-money laundering and combating the financing of terrorism (AML/CFT) framework was recently assessed against the AML/CFT standard, the Financial Action Task Force (FATF) 40+9 Recommendations. The evaluation was conducted by the Eurasian Group on money laundering and financing of terrorism (EAG), the FATF-style regional body of which Kazakhstan is a member, and the final mutual evaluation report was adopted in June 2011. The report indicates that the main sources of criminal proceeds in Kazakhstan are crimes related to fraud and abuse of public office. The evaluators found that Kazakhstan had a relatively comprehensive AML/CFT framework in place, but that significant deficiencies nevertheless remained, notably with respect to customer due diligence measures and the reporting of suspicious transactions. Kazakhstan is tentatively scheduled to undergo its next AML/CFT assessment by the EAG in April 2017.

## Technical Assistance

Kazakhstan has received technical assistance and training by the Fund in virtually every area of economic policy, including through over 90 technical assistance missions provided during 1993–2014 by FAD, LEG, MCM, STA, and the IMF Institute. In addition to short-term missions, the Fund has provided resident advisors to the National Bank of Kazakhstan, to the Agency of Statistics of the Republic of Kazakhstan, to the ministry of finance, and a peripatetic expert to the Financial Supervision Agency. Other international agencies and governments, including the World Bank, EU TACIS, EBRD, UNDP, and OECD, also are providing a wide variety of technical assistance. The following list summarizes the technical assistance provided by the Fund to Kazakhstan since 2003.

### *Monetary and Capital Markets Department*

Technical assistance has enabled steady progress in a number of areas related to monetary and exchange affairs, including banking legislation, central bank accounting, payments system reform, central bank organization and management, foreign operations and reserve management, banking supervision, monetary statistics, currency issuance, monetary operations, and money-market development.

1. September 2004: Bringing banking prudential regulation up to EU standards.
2. September 2004: Implementing inflation targeting: next steps.
3. November 2007: Strengthening banking supervision and risk assessment.
4. 2009–12: Developing banking sector stress testing. The initial mission in January 2009 was followed up by a number of visits by a peripatetic expert to the FSA over the course of 2009–12.
5. November 2010: Reducing nonperforming loans in the banking system (joint with LEG).
6. February 2013–14: Resolving banking system problem assets. Posting of a long-term expert (one year) to the Fund for Problem Loans, financed by the Japanese government (JSA).