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# Banking Regulation Review

## 1) INTRODUCTION

Events in 2021 resulted in the Kazakh economy, in particular the financial sector, having to face the combined challenge of a continued reduction in oil prices and new strains of covid-19. However, according to the Agency for Regulation and Development of the Financial Market (AFR), the negative impact of these challenges on the Kazakh banking sector was not as severe as expected, and in 2021 banking sector started gradually to recover. In 2021, annual lending to the Kazakh economy amounted to 18.5 trillion tenge, which was a 26.5 per cent increase on the previous year. The net income of banking sector increased by 77.6 per cent as compared with the previous year. The level of non-performing loans decreased from 6.8 per cent to 3.9 per cent in 2021. The beginning of 2022 added new challenges, such as unrest in Almaty in January and war in Ukraine with subsequent sanctions upon Russia, which will definitely impact Kazakhstan due to close connection of Kazakhstan's economy with Russia's economy. Local currency has already dropped dramatically. Time will test the stability of the Kazakh banking system in the face of these unprecedented challenges.

The Kazakh banking services market is represented by various players, including banks, organisations that perform certain types of banking operations (banking organisations), payment services providers and microfinance organisations (MFOs). In line with the global trend, fintech companies are also becoming crucial players in the market. Banks operating in Kazakhstan include local banks (conventional and Islamic) and subsidiaries of foreign banks operating as Kazakh legal entities under Kazakh law. Following recent law amendments, foreign banks can now carry out banking business not only through their subsidiaries but also through branches, which was previously prohibited. There are currently 22 banks in Kazakhstan; of these, 14 banks have foreign participation, including 11 subsidiary banks, and one bank is 100 per cent owned by the state. The top five banks by assets are Halyk Bank, Sberbank, Kaspi Bank, Otbasny Bank and First Heartland Jysan Bank.

## 2) THE REGULATORY REGIME APPLICABLE TO BANKS

### a) Regulators

There are three financial regulators in Kazakhstan: the AFR, the National Bank of Kazakhstan (NBK) and the Astana Financial Services Authority (AFSA). The AFR is responsible for the regulation of banks, branches of foreign banks, banking organisations, MFOs, insurance organisations, pension funds and securities market subjects. The NBK, as the central bank of Kazakhstan, is responsible for monetary policy, stability of financial and payment systems, currency control and regulation, and regulation of payment systems, payment system operators and payment organisations. The AFSA regulates financial and payment services provided within the Astana International Financial Centre (AIFC) framework; namely, the financial and payment services provided by AIFC entities to other AIFC entities.

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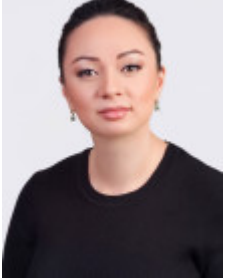
## Industries

**BANKING & FINANCE**

## Locations

KAZAKHSTAN

## Key contacts



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