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Upcoming Changes in Foreign Exchange Legislation: branches of foreign companies' settlements will be converted into Tenge

In keeping with GRATA's practice of informing clients of important legal developments that might influence their business, we would like to draw your attention to some important upcoming legislative developments regarding the foreign exchange regulation and foreign exchange control.



The Government of Kazakhstan has approved the draft law on foreign exchange regulation and foreign exchange control that was developed by the National (Central) Bank of Kazakhstan.

The goal of the new law is to amend the foreign exchange legislation in the context of Kazakhstan's accession to the World Trade Organization, establishment of the Khorgos International Center of Cross-Border Cooperation and Astana International Finance Center.

The main objective of the law is to expand monitoring of foreign exchange transactions and reduce the use of foreign currency in settling accounts within Kazakhstan, and among other things to discourage getting money out of the country.

The main amendments include:

- recognition of branches of foreign companies as residents;
- broader coverage of cross-border foreign exchange transactions;
- increase in control of transactions intended for disinvestment;
- specification of the list foreign exchange transactions permitted between residents.

Following accession of Kazakhstan to WTO, the number of branches and representative offices is expected to grow leading to more settlements in foreign currency within the country that is contrary to the national interests as Governor of the National Bank, Daniyar Akishev, said.

Therefore, it is proposed to convert settlements between branches of foreign companies and Kazakh counterparts into Tenge.

It is expected that this law will become effective on 1 July 2019.

The proposed law is adopted by the Government and submitted for the review of the Parliament of Kazakhstan.

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-due diligence of legal entities and assets.

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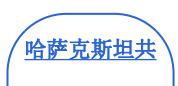
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