

## **About the deposit insurance system**

The deposit insurance system (the DIS) exists in almost every country in the world, and, as a rule, is aimed at protecting the rights and legitimate interests of individuals and individual entrepreneurs. Thus, the DIS contributes to maintaining the stability of the country's financial system and supports citizens' confidence in the banking sector.

In Kazakhstan, the system of mandatory deposit insurance has been in operation since 1999. Its operator is the Kazakhstan Deposit Insurance Fund (the KDIF). The founder and sole shareholder of the KDIF is the National Bank of Kazakhstan.

The mandatory deposit insurance system is based on the following basic principles. First, all banks (including branches of non-resident banks of the Republic of Kazakhstan) that received a license to conduct all banking operations (accepting deposits, opening and maintenance of individual bank accounts) are required to participate in the deposit insurance system. The only exceptions are two Islamic banks - Al Hilal Islamic Bank JSC and Zaman - Bank Islamic Bank JSC (branches of non-resident Islamic banks of the Republic of Kazakhstan). An up-to-date list of the DIS member banks is available on the KDIF website [www.kdif.kz/depozity-i-garantiya/banks/](http://www.kdif.kz/depozity-i-garantiya/banks/).

Secondly, the special reserve of the KDIF for settlements with depositors of banks deprived of a license is formed on a cumulative basis, mainly due to quarterly contributions from participating banks. In addition, according to the current legislation, up to 70% of the authorized capital of the KDIF can be used for payments. Therefore, the total amount of payments does not depend on the number of deposits in the bank deprived of the license.

Today, the special reserve of the KDIF is sufficient, since the insurance of the KDIF fully covers 99.8% of all deposits (accounts, cards, deposits) placed in the DIF member banks. In some cases, a number of mechanisms may also be provided for dealing with insolvent banks, including transfer of their assets and liabilities to another bank or banks participating in the DIF.

To participate in the deposit insurance system, depositors (individuals and individual entrepreneurs) do not need to issue a separate document confirming the right to receive payment of guaranteed compensation from the KDIF. The KDIF insurance automatically arises from the moment of entering into a bank deposit or account agreement with the participating bank. From the moment of opening, the deposit is protected by the KDIF.

## **About deposit insurance**

The objects of mandatory deposit insurance are deposits of individuals and individual entrepreneurs in national and foreign currency held on bank accounts, and interest on such deposits accrued as of the date of withdrawal of the license of the participating bank to conduct all banking operations.

The KDIF compensation shall apply to:

- deposits, including demand and conventional deposits;
- money on the current account;
- money on the payment card;
- interest on deposits (capitalized and accrued).

If the participating bank is deprived of the license to conduct all banking operations, the owner of the bank account, card and / or deposit shall be entitled to receive the guaranteed compensation for it (them).

The insurance shall not apply to individual metal accounts, money and valuables placed in bank cells, certificates of deposit and corporate deposits, and deposits in Islamic banks.

### **About the compensation amount**

The maximum guaranteed amount depends on the currency and type of deposit:

- 15 million tenge - on savings deposits in the national currency;
- 10 million tenge - on all other deposits in the national currency, except for savings deposits;
- 5 million tenge - on all deposits in foreign currency\*.

*\*The amount of the guaranteed compensation for the deposit in foreign currency shall be paid in the equivalent at the exchange rate established as of the date of withdrawal of the license of the participating bank to conduct all banking operations.*

If several deposits of different types and currencies are placed with one participating bank, the balance of all deposits shall be insured, and the total amount of guaranteed compensation shall be paid – not more than 15 million tenge, taking into account the limits by each deposit type.

Deposits placed with several banks shall be insured for each bank separately. Therefore, in order to protect your savings, it is recommended to place deposits with different banks.

### **About payment of the guaranteed compensation**

Payment of the guaranteed compensation to depositors shall begin not later than 35 working days from the date of withdrawal of the participating bank's license to conduct all banking operations. The license is withdrawn by the Agency for Regulation and Development of Financial Market. This information will appear on the websites of the Agency, the National Bank and the KDIF, in the media and social networks on the same day.

However, withdrawal of the license from the bank does not mean the beginning of payments, since the deposits of such a bank may be partially or fully transferred to another bank (the acquiring bank). Simply put, depositors of a bank that has been deprived of its license will become customers of the acquiring bank with all their deposits, cards, accounts and money on them. In this case, the payment of the guaranteed refund is not made. Such a decision is agreed with the Agency, the total period for the adoption of the interim administration and approval of such a decision is 20 working days from the date of withdrawal of the bank license.

If the decision is not made, the amounts to the depositors of the bank that has been deprived of the license will be paid by the KDIF.

### **Online payments**

On 2 January 2021, the President of the Republic of Kazakhstan signed the Law of the Republic of Kazakhstan "On amendments and additions to certain legislative acts on the economic growth recovery".

The law provides for innovations in the deposit insurance system, simplifying the procedure for payment of guaranteed compensation to citizens, which will take effect from 1 May 2021. Depositors of the bank that has been deprived of a license will be able to apply for a guaranteed refund in electronic form directly to the KDIF, without visiting the outlets of the agent bank.

At the same time, the procedure for payment of guaranteed compensation through the agent bank will remain for depositors who prefer banking services in the traditional way, as well as for those depositors on whose behalf third parties (heirs, representatives by proxy and other rights holders) may apply for compensation.

Applications for payment of the guaranteed compensation will be accepted by the KDIF both in electronic and written form (through the agent bank) within 1 year from the start date of payment, and applications from depositors of banks in the process of liquidation - till 1 May 2022.

When applying in person, the depositor must have an identity document and fill out an application form. As a rule, the agent bank may offer three options to choose from: receive money in cash at the cash desk, transfer it to an existing bank

account, or open a new deposit with the agent bank. The agent bank may also offer other service options, such as issuing and delivering bankcards.

When third parties under a power of attorney, heirs, or parents apply for deposits opened in the name of minor children, the agent bank employees request additional documents confirming the rights of the applicants.

In the event that the depositor has opened a deposit and issued a loan in the bank that has been deprived of its license, a set-off will be made and a guaranteed refund will be paid, minus the debt owed to the bank. The questions of depositors who do not agree with the calculation of the compensation amount will be considered by the manager of the bank that has been deprived of its license – the temporary administration or the liquidation commission. The contacts will be published on the websites of the Agency, KDIF and the bank itself.

### **Unclaimed amounts of the guaranteed refund**

The unclaimed amounts of the depositors' guaranteed compensation within one year from the date of the beginning of payment will be transferred to their pension accounts with the Unified Saving Pension Fund JSC (USPF) as voluntary pension contributions. 30 working days before the end of the guaranteed refund period, the KDIF shall notify depositors about this through the media and its own website.

The guaranteed compensation amount transferred to the USPF is recognized as the depositor's voluntary pension contributions and is exempt from taxation (with the exception of accrued investment income). Pension accounts for accounting of voluntary pension contributions will be opened automatically without the need to visit the USPF.

Depositors who, for good reasons, were unable to apply for compensation within a year from the start of the payment, shall retain the right to receive guaranteed compensation by submitting a written application with supporting documents to the KDIF. The list of valid reasons is provided directly in the Law "On mandatory guarantee of deposits placed in second-tier banks of the Republic of Kazakhstan".

The application can be submitted before the date of entering information into the National Register of Business Identification Numbers on the forced liquidation of the bank or before the depositor's right to pension payments at the expense of voluntary pension contributions occurs, if the amount of the guaranteed compensation has been transferred to the KDIF.

### **In excess of the maximum guaranteed amount**

For deposit amounts exceeding the maximum guaranteed amount, the KDIF shall reimburse only the required maximum, and for the non-reimbursed deposit balance in excess of the maximum guaranteed amount, the bank's liquidation commission shall assume the obligations.

The tasks of the liquidation commission shall include preparing the bank for closure, selling assets and property, and settling with creditors, including depositors who had deposits in excess of the maximum guaranteed amount.

You can submit an application for payment of the extra-maximum guaranteed amount to the liquidation commission in person or by mail. According to the rules, the minimum period for accepting applications shall be 2 months from the date of publication of the announcement about the start of accepting applications. Depositors can find the contacts of the liquidation commission and information about the status of its activities on the websites of the Agency, the KDIF and the bank that has been deprived of its license.

### **Deposits in branches of foreign banks**

Branches of foreign banks that are opened on the territory of Kazakhstan shall become participants of the mandatory deposit insurance system from the moment they receive a license from the authorized body to accept deposits, open and maintain individual bank accounts. Thus, the citizens' deposits opened in branches of foreign banks shall also be guaranteed by the KDIF, with the exception of branches of non-resident Islamic banks of the Republic of Kazakhstan.