

Annex 13 to the Minutes  
of the Board of Directors  
of EIC "KazakhExport" JSC  
No. 6 dated July 10, 2020

"Approved"  
with the Resolution of the Board of Directors  
of EIC "KazakhExport" JSC  
minutes No.6 dated July 10, 2020

**Regulations of the Export Insurance Company "KazakhExport" Joint Stock  
Company for the provision of export trade finance**

**Nur Sultan, 2020**

## IRD SUMMARY

IRD name	Regulations of the Export Insurance Company "KazakhExport" Joint Stock Company for the provision of export trade finance
IRD owner	Insurance Department
Access level	Public
Measures to familiarize all employees of the Company with IRD	Distribution by e-mail within 1 (one) business day from the date of IRD publication on the network resource "Internal portal"
In accordance with the Decision of the Board of Directors of EIC "KazakhExport" JSC the amendments and additions are made:	

## Table of Content

Regulations of the Export Insurance Company "KazakhExport" Joint Stock Company for the provision of export trade finance .....	1
Table of Content.....	2
Chapter 1. General provisions.....	3
Chapter 2. Definitions and concepts used in the Regulations .....	4
Chapter 3. Terms and conditions for the return of deposits provided for in the conditional bank deposit agreements .....	6
Chapter 4. Conditions for the provision of export trade financing from the Company's Conditional Bank Deposits .....	7
Chapter 5. The procedure for providing Export Trade Financing to Issuing Banks .....	8
Chapter 6. Procedure for providing Export Trade Finance to Foreign Counterparties.....	9
Chapter 7. Rights and obligations of the Parties in the Conditional Bank Deposit Agreement.....	9
Chapter 8. Monitoring .....	10
Chapter 9. Representations and warranties contained in the Conditional Bank Deposit Agreement	10
Chapter 10. Repayment of the funds placed under the Conditional Bank Deposit Agreement .....	10
Chapter 11. Additional Conditions.....	11
Chapter 12. Final provisions .....	11

## **Chapter 1. General provisions**

1. The Regulations of the Export Insurance Company "KazakhExport" Joint Stock Company for the provision of export trade finance (hereinafter referred to as the Regulations) have been developed in accordance with the Civil Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan "On Insurance Activities", the Law of the Republic of Kazakhstan "On Banks and Banking Activities", the Unified Rules and customs for documentary letters of credit in the latest version, the Charter and internal regulatory documents of EIC "KazakhExport" JSC (hereinafter - the Company).

2. These Regulations regulate the procedure and conditions for the provision of Export Trade Finance through the placement of Conditional Bank Deposits, including at the expense of money allocated under state programs of the Republic of Kazakhstan.

3. In accordance with these Regulations, the Company places money in the form of Conditional Bank Deposits with Banks to provide Export Trade Finance:

1) Banks, within the framework of the irrevocable confirmed letters of credit received by them;

Company, within the framework of providing Export Trade Finance to the Banks, concludes the Letter of Loan Insurance Agreement with the Bank, and the Bank adds its confirmation to the letter of credit of the Issuing Bank.

2) Banks under the Loan Agreement concluded between the Bank and the Foreign Counterparty.

Company, within the framework of the Bank's provision of Export Trade Finance to Foreign Counterparties, concludes a tripartite Loan Insurance Agreement in the presence of a Loan Agreement concluded between the Bank and the Foreign Counterparty.

4. The conditions for the provision of Export Trade Finance at the expense of money allocated under the state programs of the Republic of Kazakhstan may differ from the conditions of these Regulations.

5. The Company shall place a Conditional Bank Deposit with the Bank in tranches, or at a time, by transferring money to a savings account opened with the Bank, on the basis of the respective Conditional Bank Deposit Agreements concluded between the parties.

6. The amount of each tranche is determined by the respective Conditional Bank Deposit Agreement.

7. In the event that the Company detects violations by the Bank of the terms of these Regulations, failure to disburse/not fully disburse funds on placed deposits, the Company reserves the right to suspend the placement of a subsequent Conditional Bank Deposit with the Bank.

## **Chapter 2. Definitions and concepts used in the Regulations**

8. The following definitions and concepts are used herein:

1) **Letter of Credit** - any agreement, no matter how it is named or indicated, which is irrevocable and represents a firm obligation of the issuing bank to fulfill the payment obligation under the letter of credit or negotiate a duly executed presentation, including but not limited to standby letters of credit;

2) **Applicant** is a party at whose request the Letter of Credit is issued;

3) **Base Rate** is a key indicator of raising liquidity for banks established by the National Bank of the Republic of Kazakhstan;

4) **Bank** is a second-tier bank of the Republic of Kazakhstan (STB) and Development Bank of Kazakhstan JSC;

5) **Issuing Bank** is a foreign bank that issues a Letter of Credit at the request of the Applicant or on its own behalf;

6) **Bank Loan** - an amount of money provided by the Bank to a foreign counterparty on the terms of payment, urgency and repayment;

- 7) **Beneficiary** is a party in whose favor the Letter of Credit is issued;
- 8) **Investor** - Company;
- 9) **Letter of Credit Insurance Agreement** - a contract on insurance of documentary Letters of Credit where the Society provides insurance coverage to the Bank pursuant to irrevocable confirmed letter of credit of the Issuing Bank;
- 10) **Loan Insurance Agreement** - a voluntary loan insurance agreement, in accordance with which the Foreign counterparty undertakes to pay the insurance premium, and the Company undertakes, upon the occurrence of an insured event, to make an insurance payment to the Bank within the sum insured;
- 11) **Conditional Bank Deposit Agreement** - an agreement under which the Bank undertakes to accept money from the Society, pay remuneration and return the deposit on the terms and in the order provided for the Deposit of this type by statutory instruments and/or the agreement;
- 12) **Bank Application** - an application for insurance of an export irrevocable documentary confirmed Letter of Credit;
- 13) **Beneficiary/Exporter Application** - an application for insurance of an export irrevocable documentary confirmed Letter of Credit;
- 14) **Foreign Counterparty Application** - an application for voluntary loan insurance;
- 15) **Foreign Counterparty** - a legal entity, including a leasing company of a foreign state, that buys <https://ru.wikipedia.org/wiki/%D0%A2%D0%BE%D0%B2%D0%B0%D1%80> goods, works and services produced by Exporters and brings them into the country of destination of export for use and consumption;
- 16) **Contract** - transactions of residents of the Republic of Kazakhstan related to the sale of goods, performance of work and provision of services outside the Republic of Kazakhstan.
- 17) **Key Rate** is a main indicator of monetary policy, which is set by the Central Bank of the Russian Federation;
- 18) **Loan Agreement** - an agreement between the Bank and a Foreign Counterparty, in accordance with which the Bank undertakes to provide funds (loan) to the Foreign Counterparty in the amount and on the terms stipulated by the agreement, and the Foreign Counterparty undertakes to return the amount received. In addition, the loan agreement may be concluded in other forms provided for by the legislation of the Republic of Kazakhstan;
- 19) **Insured Object** - a property interest of the Bank associated with losses arising from the failure of the issuing Bank to perform its obligations to the Bank following the insured events as per Insurance Contract;
- 20) **Principal debt** - is the actual amount of money provided by the Beneficiary as a loan to the Insurant under the Loan Agreement, excluding the interest on it;
- 21) **Draw-down of Funds** - the provision of export trade financing by the Bank to the issuing Bank at the expense of the Company's Deposit under the terms and conditions specified in the Conditional Bank Deposit Agreements and Insurance Contracts;
- 22) **Confirmation** - a firm obligation of the Confirming Bank, in addition to the obligation of the Issuing Bank, to perform under the Letter of Credit the payment obligation or the negotiation of a duly executed submission;
- 23) **Confirming Bank** - a bank that undertakes an obligation, in addition to the obligation of the Issuing Bank to execute under the Letter of Credit the payment obligation or the negotiation of a duly executed submission;
- 24) **Confirmed Letter of Credit** - a Letter of Credit, including a note on the additional obligation of the Confirming Bank;
- 25) **CIRR rate** - the minimum official interest rate on export credits, which can be set by export credit agencies in the countries of the Organization for Economic Cooperation and Development (OECD);
- 26) **Interest rate on deposits** - the minimum value of the interest rate out of the proposed sizes of interest rates on deposits of legal entities placed on the Internet resources of second-tier

banks with an individual credit rating of at least "B" by the Standard & Poor's rating agency or ratings of a similar level assigned by one of the the following rating agencies: Moody's Investors Service; Fitch; Capital Intelligence; A.M. Best and Morningstar, as well as their affiliated rating agencies (hereinafter referred to as other rating agencies). At the same time (when analyzing the conditions offered by second-tier banks), interest rates are taken into account for those second-tier banks, according to which the Company has limits on the placement of funds, established/calculated in accordance with the requirements of the Regulation on the management of assets and liabilities of EIC "KazakhExport" JSC;

27) **Amount of coverage** - an amount of money, for which the object is insured, and which presents maximum scope of liability of the Insurer under the Insurance Contract in the case of insured event;

28) **Conditional Bank Deposit** - a deposit that the Bank uses on the terms and in the manner specified in separate Conditional Bank Deposit Agreements

29) **Discount rate** - the main indicator of monetary policy, which is determined by the Federal Reserve System of the United States of America and the European Central Bank;

30) **Exporter** - a legal entity or an individual entrepreneur of the Republic of Kazakhstan that has entered into a contract with a foreign counterparty for the export of Kazakhstani goods/works/ services;

31) **Export trade financing** - the provision by the Bank of financing to the Issuing Bank/Foreign Counterparty for the placement by the Company of a Conditional Bank Deposit to pay under the Contract for the delivered goods/ works/services of Kazakhstani origin;

32) **Export trade financing of the Issuing Bank** - the provision by the Bank of financing to the Issuing Bank within the framework of the Letter of Credit issued by the latter to pay for the Contract/goods/services/work of Kazakhstani origin;

33) **Export trade financing of a Foreign Counterparty** - provision by the Bank of a loan to a Foreign Counterparty under the contract concluded by the latter with the Exporter for the purchase of goods/work/services of Kazakhstani origin;

34) **SWIFT** - an international interbank information transfer and payment system that allows financial institutions around the world to send and receive information about financial transactions in a secure, standardized and reliable form;

35) **UCP** - uniform customs and practice for documentary credits, reflecting the generalized and drawn-up as rules international practice of settlements in the form of documentary credits, which have been developed and approved by the Banking Commission of the international Chamber of Commerce.

The above concepts are understood in the meaning in which they are defined in this clause, regardless of their use in the text of the Regulations in the singular or plural, with uppercase or lowercase letters, unless otherwise provided by the Regulations.

### **Chapter 3. Terms and conditions for the return of deposits provided for in the conditional bank deposit agreements**

9. The Company places money in Banks according to the Conditional Bank Deposit Agreement complying with the terms of intended use of money, urgency, payment, repayment. Conditional bank deposit agreements are concluded in the presence of an Insurance Contract, a Letter of Credit from the Issuing Bank, confirmed by the Bank and opened in favor of the Beneficiary, or a Loan Insurance Agreement.

10. Banks are obliged to use the funds provided for in these Regulations solely for the provision of Export Trade Finance for the purposes provided for by these Regulations and separate Agreements of Conditional Bank Deposit. The banks can not change the intended use of Company's money.

11. The term for placing the Company's Conditional Bank Deposits with Banks is determined by the Company.

12. The Company's conditional bank deposit agreement is concluded if there is a Letter of Credit Insurance Agreement/Loan Insurance Agreement within the framework of Export Trade Finance.

13. Currency of the Conditional Bank Deposit - in the currency of the Letter of Credit/Bank Loan.

14. The interest rate on the Conditional Bank Deposit placed by the Company with the Bank is determined by the resolution of the Board for Management of the Company's Assets and Liabilities for each Conditional Bank Deposit.

15. The interest paid by the Bank shall be measured in accordance with the terms of the Conditional Bank Deposit Agreements.

16. The procedure for repayment of the money placed by the Company is carried out in accordance with the terms of the Conditional Bank Deposit Agreements.

17. The term of placement of the Company's money starts from the date of receiving the Company's funds on the Company's Savings Account in the Bank according to the details specified in Conditional Bank Deposit Agreements and ends when the money and accrued interest is refunded in full. The day of refund is the day of receipt of the money in full to the current bank account of the Company, specified in the details of the corresponding Conditional Bank Deposit Agreement.

18. In case of full or partial repayment of financing, the Company's money released due to repayment, previously placed in the Bank as a Conditional Bank Deposit, should be returned to the Company's accounts specified in the details of the corresponding Conditional Bank Deposit Agreement.

19. The amount of the Company's Conditional Bank Deposit may not exceed the amount of the Insured amount under the corresponding Letter of Credit Insurance Agreement/Loan Insurance Agreement.

20. The company may provide other conditions for placing Conditional Bank Deposits and financing.

21. The Bank's margin within the framework of confirmed letters of credit for Export Trade Finance of the Issuing Bank at the expense of the Company's Conditional Bank Deposits shall not exceed 2% (two percent) per annum. The Bank's margin under Bank loans to a Foreign Counterparty from the Company's Conditional Bank Deposits should not exceed 3 % (three percent) per annum for financing in tenge and Russian rubles, and 2 % (two percent) per annum for financing in US dollars and euros.

22. The currency, term, placement rate, and maximum amount of Conditional Bank Deposits from funds allocated under government programs for export trade financing may differ from those specified in these Rules. In all other respects that are not directly indicated in state programs, are governed by these Regulations.

#### **Chapter 4. Conditions for the provision of export trade financing from the Company's Conditional Bank Deposits**

23. The provision of Export Trade Finance by Banks using the Company's funds under the Conditional Bank Deposit Agreements under these Regulations is carried out for all types of activities of the Beneficiary/Exporter/Foreign Counterparty, except for those prohibited by the legislation of the Republic of Kazakhstan.

24. The Bank may provide Export Trade Finance if the following conditions are met:

1) The Beneficiary, in favor of whom the Letter of Credit is issued, is an exporter of goods/works/services from the Republic of Kazakhstan (in relation to the Export Trade Finance of the Issuing Bank);

2) The Letter of Credit issued by the Issuing Bank is irrevocable and subject to the latest revision of the UCP (as applied to the Issuing Bank's Export Trade Finance).

3) Availability of the Letter of Credit Insurance Agreement/Loan Insurance Agreement with the Company, since insurance is a prerequisite for concluding a Conditional Bank Deposit Agreement with the Bank;

4) Availability of an application by the Bank/Beneficiary/Exporter/Foreign Counterparty to the Company for the provision of insurance coverage and Export Trade Finance;

5) The term for providing financing to the Issuing Bank/Foreign Counterparty corresponds to the term of placing the conditional deposit in the Bank by the Company;

6) The total cost of Export Trade Finance for the Issuing Bank/Foreign Counterparty in annual terms is calculated using the following formula:

$$\text{Total cost of Export Trade Finance} = [D]\% + [T]\% + [B]\%,$$

where

[D] - interest rate on a Conditional Bank Deposit (% per annum). This value is determined by the decision of the Asset and Liability Management Council of the Company.

[T] - insurance rate under the Letter of Credit Insurance Agreement/Loan Insurance Agreement (% per annum). The value of this rate is set according to the Company's tariff policy, taking into account the Insured Object of insurance and the nature of the Insurance Risk;

[B] - Bank margin (% per annum). This value should not exceed 2% (two percent) for financing the Issuing Bank in US dollars and euros and 3% (three percent) for financing a Foreign Counterparty in tenge and Russian rubles.

25. The amount of the interest rate on a Conditional Bank Deposit and the Bank's margin is set in the following amounts:

1) for financing in tenge - at least half of the Base rate for any term of financing;

2) for financing in Russian rubles – at least half of the Key rate for any term of financing;

3) for financing in US dollars – at least half of the Discount rate for the US dollar for financing up to 2 (two) years and at least the CIRR rate for the US dollar for financing for a period of 2 (two) years or more;

4) for financing in euros – at least half of the Discount rate for euros for financing for up to 2 (two) years and at least the CIRR rate for euros for financing for 2 (two) years or more.

## **Chapter 5. The procedure for providing Export Trade Financing to Issuing Banks**

26. The Bank sends to the Company an application for insurance of a documentary Letter of Credit and an application of the Beneficiary/Exporter in accordance with the approved forms. If the Bank is unable to provide the Beneficiary/Exporter's application, the Company has the right to contact the Beneficiary/Exporter directly and request it.

27. The Company shall review the application submitted by the Bank and in the case of a favourable decision by the authorized body of the Company, award the Insurance Contract.

28. The Bank shall add its confirmation and advises the Letter of Credit to the Beneficiary.

29. The Beneficiary shall ship the goods, provide the Bank with documents in accordance with the terms of the Letter of Credit.

30. The Bank shall send to the Company a request for placement of a Conditional Bank Deposit indicating the amount of documents, currency and term. When the Bank sends such request it means that Bank's acceptance of the documents corresponding to the terms of the Letter of credit and UCP. Upon receipt of the Bank's request for placement of the Conditional Bank Deposit, the Company may request copies of the documents submitted by the Exporter to the Bank.



31. The Company shall enter into a Conditional Bank Deposit Agreement with the Bank and place the Conditional Bank Deposit in the Bank.

32. The Bank shall pay the Beneficiary and notify the Issuing Bank of the provision of Export Trade Financing.

33. As of the maturity date, the Bank returns to the Company the Conditional Bank Deposit together with the accrued interest in accordance with the terms of the Conditional Bank Deposit Agreement.

## **Chapter 6. Procedure for providing Export Trade Finance to Foreign Counterparties**

34. The Foreign Counterparty submits an application for voluntary loan insurance to the Company, and the Exporter submits its application in accordance with the approved form.

35. The Company considers the submitted applications for voluntary loan insurance and submits them to the authorized body of the Company. If the decision is positive:

1) Bank signs a Loan Agreement with a Foreign Counterparty for the amount of the Contract/invoice/specification/shipment;

2) The Company signs a tripartite Loan Insurance Agreement between the Company, the Bank and the Foreign Counterparty.

36. After shipment of goods/works/services, the Exporter submits the documents in accordance with the terms of the Contract, confirming compliance by the Exporter.

37. The Bank shall send to the Company a request for placement of a Conditional Bank Deposit indicating the amount of documents, currency and term. Upon receipt of the Bank's request for placement of the Conditional Bank Deposit, the Company requests copies of the documents submitted by the Exporter to the Bank.

38. The Company enters into a Conditional Bank Deposit Agreement with the Bank and places a Conditional Bank Deposit with the Bank on the terms specified in the Agreement.

39. If the amount of the goods shipped differs from the amount of the preliminary Contract/invoice/specification/shipment, the Bank and the Foreign Counterparty sign an additional agreement to the Loan Agreement.

40. The Bank makes a payment to the Exporter and notifies of the provision of financing to the Foreign Counterparty.

41. On the date of repayment of the loan by a Foreign Counterparty, the Bank returns the Conditional Bank Deposit to the Company together with the accrued interest in accordance with the terms of the Conditional Bank Deposit Agreement.

## **Chapter 7. Rights and obligations of the Parties in the Conditional Bank Deposit Agreement**

42. The Company has the right to:

1) check the development and intended use of money by the Bank placed in accordance with these Regulations (in accordance with chapters 5 and 6 of these Regulations), as well as compliance by the Bank with the conditions for providing Export Trade Finance established in these Regulations;

2) shall request the Bank the required operational information on the draw-down of the Company's money allocated for Export Trade Financing pursuant to these Regulations;

3) shall require early repayment of Deposits under Conditional Bank Deposit Agreements and/or early termination of Conditional Bank Deposit Agreements and the Regulations as follows;

- late and/or incomplete transfer by the Bank of the Conditional Bank Deposit and/or interest under the Conditional Bank Deposit Agreements by the Company as part of the Regulations;

- improper use by the Bank of funds under Conditional Bank Deposit of the Company;
- declaring the Bank insolvent in line with the current legislation of the Republic of Kazakhstan;
- in other cases, accompanied by the Bank's failure to fulfill its obligations under Conditional Bank Deposit Agreements and in accordance with these Regulations.

43. In order to provide Export Trade Finance under these Regulations, the Bank may, in agreement with the Company:

- 1) choose an Exporter;
- 2) choose the Issuing Bank;
- 3) choose a Foreign Counterparty.

44. The Bank is obliged to:

- 1) comply with the main purpose of the conclusion of these Regulations - to participate in the support of Exporters, Issuing Banks and/or Foreign Counterparties;
- 2) accept the Company's money allocated in accordance with Conditional Bank Deposit Agreements under these Regulations;
- 3) provide Export Trade Financing in line with the terms and procedure, as well as within the terms specified in these Regulations;
- 4) do not transfer or assign its rights and obligations under the Conditional Bank Deposit Agreement before the termination of the Conditional Bank Deposit Agreement to a third party without a prior written consent of the Company.

## **Chapter 8. Monitoring**

45. Conditional Bank Deposit Agreement shall include a condition stating that within the term of these Regulations, the Company shall monitor the disbursement and intended use of the Company's funds by the Bank, to verify the Bank's compliance with the terms of Export Trade Financing by sending the Company's representatives to the Bank, and to request the Bank to provide documents (copies signed by an authorized person and stamped by the Bank), in compliance with the requirements for banking and trade secrets confidentiality.

46. Conditional Bank Deposit Agreement is to include a condition stating that the Bank shall provide copies of agreements, payment orders and other documents requested by the Company for monitoring purposes certified by the Bank (signed and stamped by an authorized person) upon written request of the Company's representatives.

## **Chapter 9. Representations and warranties contained in the Conditional Bank Deposit Agreement**

47. Conditional Bank Deposit Agreements shall contain the following guarantee obligation of the Bank:

"The Bank declares and confirms that all information, as well as all documents submitted (provided) or provided by it to the Company, is accurate and true. The Company shall not verify the authenticity and accuracy of the documents submitted. The Bank is aware of the liability for false, incomplete and/or inaccurate information provided for by the laws of the Republic of Kazakhstan."

## **Chapter 10. Repayment of the funds placed under the Conditional Bank Deposit Agreement**

48. The Bank shall ensure the return of the funds placed by the Company and other payments in accordance with the terms and conditions and within the terms established by the Conditional Bank Deposit Agreements and these Regulations.

49. In the case of early repayment or repayment within the term of financing by the issuing Bank, the Bank undertakes an unconditional obligation to repay to the Company the principal amount, accrued interest in the terms set by Conditional Bank Deposit Agreements;

50. If the payment date falls on a non-business day or holiday, the payment is made on the next business day.

51. Early repayment of money under Conditional Bank Deposit Agreements at the Company's initiative is possible in the order and under the conditions provided for in Conditional Bank Deposit Agreements and these Regulations.

52. The Bank has the right at any time, with a written notification of the Company at least 2 (two) working days, to return early all or part of the principal amount of the deposit, provided that the Bank pays to the Company all accrued fees and other amounts payable on the principal amount of the deposit, during the actual use, and from that moment the monetary obligations of the Bank to the Company are terminated.

### **Chapter 11. Additional Conditions.**

53. By agreement of the parties, additional conditions may be included in the Conditional Bank Deposit Agreement concluded in accordance with these Regulations, which do not contradict the legislation of the Republic of Kazakhstan.

### **Chapter 12. Final provisions**

54. Amendments and additions to these Regulations are made by the resolution of the Board of Directors of the Company.

55. Issues not regulated by these Regulations are subject to resolution in accordance with the current legislation of the Republic of Kazakhstan and internal regulatory documents of the Company.

56. If the provisions of these Regulations contradict the norms of the current legislation of the Republic of Kazakhstan, the Company's employees should be guided by the norms of the current legislation.