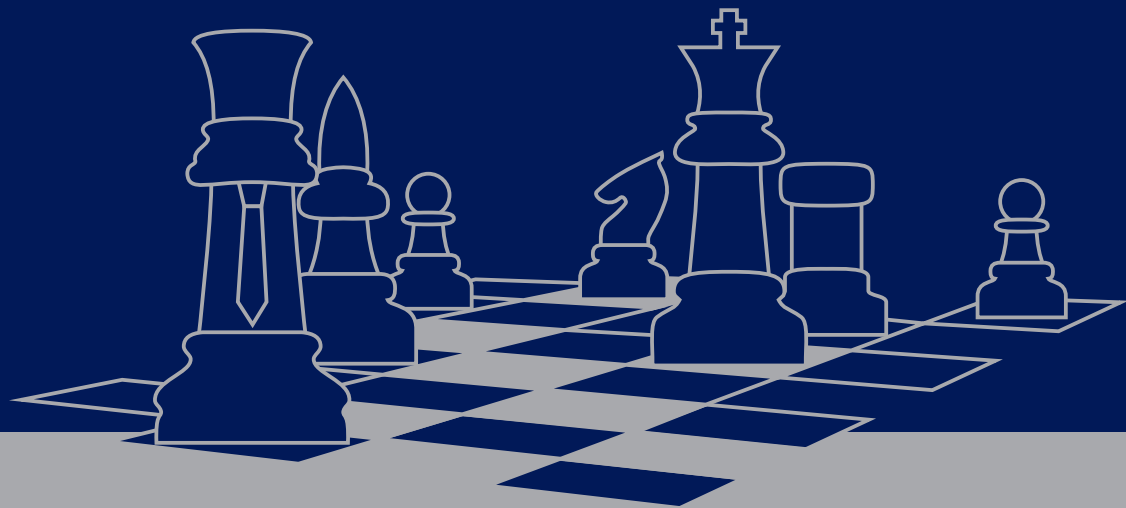




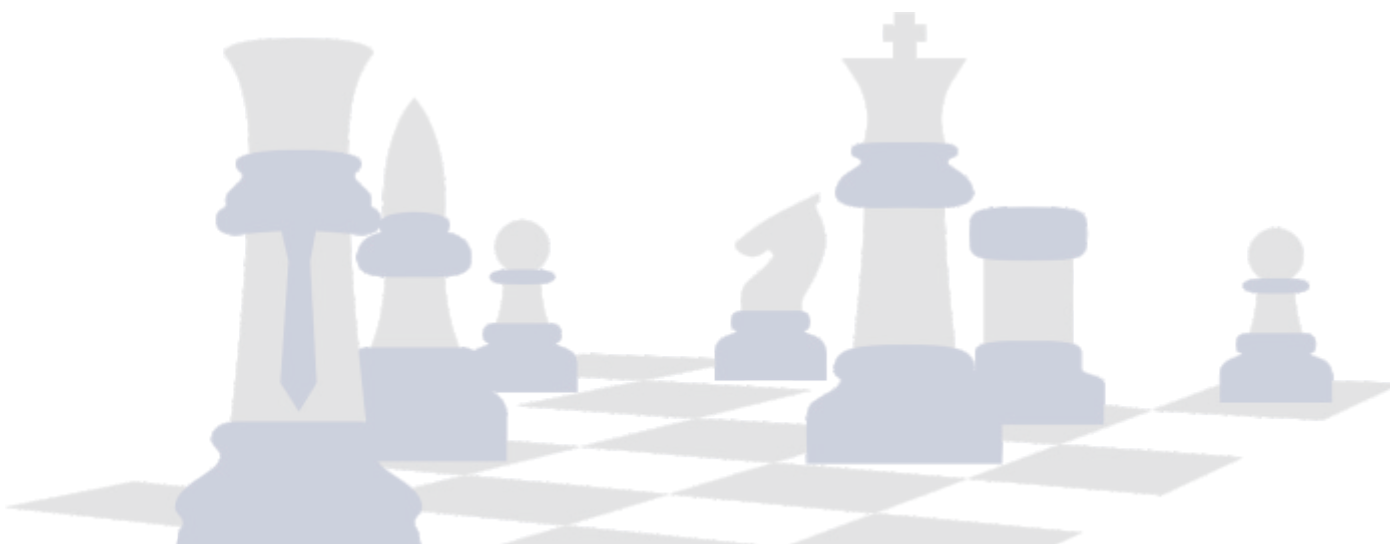
GRATA

Doing business in Kazakhstan



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GRATA Law Firm

About us

GRATA Law Firm was founded on April 22, 1992. It is the leading law firm in Central Asia and the Caspian region with more than 90 lawyers and a network of branches in Kazakhstan (Almaty, Astana, Atyrau, Aktau, Aktobe, Aksai, Karaganda), in Uzbekistan (Tashkent), Azerbaijan (Baku), Kyrgyzstan (Bishkek), Tajikistan (Dushanbe), Turkmenistan (Ashgabat), Georgia (Tbilisi), Mongolia (Ulaanbaatar), UAE (Dubai), as well as representatives in the United Kingdom (London), USA (New York).

Specialisation

Relying on considerable experience, GRATA offers an array of legal services across a wide range of areas including financial issues, taxation, intellectual property, international standards in the corporate management sphere, and many others. With such experience and expertise, GRATA can solve existing issues and eliminate potential problems of your Company.

Over the years GRATA provided legal advice to the Government of the Republic of Kazakhstan and state agencies of Central Asia, and also to the leading international and Kazakhstan companies and financial organizations.

Since its establishment on April 1992, GRATA has gained experience in the following areas of practice:

- Natural Resources
- Industry and Trade
- Banking and Finance
- Telecommunications, Transport
- Construction, Infrastructure

- Finance and Securities
- Corporate Law
- Labour Law
- Subsoil Use
- Contract Law
- Real Estate
- Intellectual Property
- Tax Law
- Transfer Pricing
- Environmental Law
- Licences & Permits
- Dispute Resolution.

Collaboration

GRATA has an established track record of successful work with various international law firms on a number of high profile projects throughout the region. Thus, if a transaction requires multi-jurisdiction coordination anywhere in the world, we can manage the deal through our well-established relationships with leading international law firms. For these firms we are the number one choice in Central Asia and the Caspian region.

Reputation

Our reputation and success is based on a highly developed combination of our operational capacity, regional network of offices, strong local expertise, international standards of services and competitive fee structure. We have commercial awareness, we are creative and we stay flexible.

Doing Business in Kazakhstan

Although Kazakhstan legislation provides for a wide range of legal forms of commercial entities (general partnership, limited liability partnership, additional liability partnerships, joint stock company), in practice, private business and foreign investors mostly prefer LLPs or JSCs. Branches and Representative Offices of foreign legal entities are also common.

Limited Liability Partnership (LLP)

LLP is the most frequently used type of legal entity, establishing by one or more individuals or legal entities participants who are not liable for its obligations while bearing the risk of losses related to company's activity within the limits of their personal contributions value (participatory interest). The liability of the company is limited to the extent of its assets.

The minimum charter capital requirement is 100 times MCI, while participants' interests are proportional to their contributions. Participants have preemption rights on each others' interests.

The bodies of a limited liability partnership are:

a) the highest body of a partnership shall be its general meeting of participants (GMP) The GMP, which is held not less than once a year, as the supreme management body of the LLP has exclusive power with respect to issues covering business, financial, management and structure issues of the company.

b) the executive body of a company (individual or collective)

The day-to-day management of the company is performed by the Director or a Board of Directors (collective executive body), who are elected at the GMP. The authority entrusted to the Board of Directors shall be specified in the foundation documents of the company. The company may also have a Supervisory Board, which is, however, not mandatory.

Unlike foreign ones, Kazakhstani Partnerships are considered legal entities.

Joint Stock Companies (JSC)

A JSC is a legal entity which issues shares in order to raise capital for its activities. A JSC may have an unlimited number of shareholders. Shareholders are not liable for the obligations of JSC, and bear the risks of losses within the value of their shares. A JSC has assets, separate from the assets of its shareholders, and is not responsible for their obligations.

The minimum charter capital requirement is 50 000 times MCI and must be paid in full within 30 days from the state registration of JSC.

The JSC is managed by the general meeting of shareholders (GMS), Board of Directors and Executive Body.

The GMS is the supreme management body of the JSC, convened once a year, which decides upon the issues of high priority, such as the company's management, administration, business policy, corporate structure, financial aspects, elections and certain other issues.

The Board of Directors exercises overall management of the JSC, covering lower priority issues such as financial, preparation and implementation policies, with the exception of issues referred by the Law and the Charter to the exclusive competence of the GMS.

The guidance of current activities shall be carried out by the Executive Body. The Executive body may be collective or individual. The executive body shall have the right to take decisions on issues relating to the company's activities which are not considered by the laws/legislative acts of the Republic of Kazakhstan and the company's charter as being the jurisdiction of other bodies and official persons of the company.

¹ Monthly calculated index (MCI) starting from 1 January 2010 is KZT 1413

Representative Offices and Branches

Representative offices and branches of foreign legal entities are not deemed to be legal entities, but represent the interests of foreign companies in Kazakhstan. Being a subdivision of a foreign legal entity, a representative office is not entitled to conduct business activity which would result in income being generated in Kazakhstan. As a subdivision of a foreign legal entity, a branch may fulfill all or part of the functions of its parent company, including income generating business activity.

Both representative offices and branches act on the basis of a “Regulation”, and are managed by an individual authorized by the parent company under a power of attorney. They are formed in essentially the same manner as a legal entity and are subject to the same formation restrictions applicable to a legal entity with foreign ownership.

State registration

The registration process is performed by registration bodies of the Ministry of Justice. Usually the registration process takes from 3 to 14 working days, however, in practice the general registration term can take one month or longer. In addition registration with the tax authorities should be carried out.

The legislation requires a standard pack of documents be submitted in order to successfully complete registration process. It is essential to ensure that the documents have been duly signed, sealed, notarized and legalized or apostilled if the documents are executed abroad, otherwise the registration process may be considerably delayed.

At the same time document confirming payment of state registration fee is required (approximately US\$65 on the date of issue)

Location (Legal address)

The location of a legal entity is the address indicated in its foundation documents. In accordance with Kazakhstani law, the location is the place of the legal entity's permanent operating body. For tax purposes, the actual address of a legal entity should be the same as its place of location. Tax authorities have a right to conduct tax inspections to confirm the actual location, and, in case of infringement, the conditions, administrative measures may be taken against the taxpayer.

Seal and bank accounts

Shortly after the registration process is complete, the entity should apply to obtain a seal from a local authorized company.

Bank accounts can be opened with a local bank in Kazakhstan in the national currency tenge and/or in a foreign currency.

Branches and representative offices of foreign legal entities may opt to use offshore (foreign) bank accounts.

Comparative Table

Criteria	Representative office	Branch	LLP	JSC
Legal Status	Not a legal entity	Not a legal entity	Legal Entity	Legal Entity
Definition	A Representative Office is a separate subdivision of a legal entity situated outside its location, and protecting and representing the legal entity, committing transactions and other legal actions on its behalf, except for the cases stipulated by legislative acts of the Republic of Kazakhstan. A Representative Office is vested with property by its founding legal entity and acts on the basis of the Regulation approved by the legal entity.	A Branch is a separate subdivision of a legal entity, which is situated outside its location, and which performs all or part of its functions including the function of representation. A Branch is vested with property by its parent company, and operates on the basis of the Regulations approved by such company.	A Limited Liability Partnership is a partnership established by one or several persons, where the charter capital is divided into shares of the size stipulated in the foundation documents; participants of a limited liability partnership is not liable for its obligations but do bear the risk of losses associated with the activities of the partnership within the limits of contributions made by them.	A Joint Stock Company is a legal entity that issues shares in order to raise funds for its activities.
Founders	Head parent company	Head parent company	A partnership may be founded by one or more founders, which are either individuals or legal entities; Limitation: A sole participant of an LLP cannot be another Kazakhstani business partnership, if it consists of a sole participant as well ¹ .	Can be founded by individuals, legal entities or a sole individual
Types of Activities	A Representative Office is limited to protection and representation of the interests of the legal entity. It does not have the right to be engaged in commercial activities.	A Branch is limited by the types of (commercial) activity of the parent company.	Types of activity are not limited, except for the types of activity, which must be licensed. There are other limitations on types of activities for those LLPs where 100% of shares belong to non residents. These limitations apply to safeguarding, as well as to the activities related to mass-media. Moreover, entities engaged in insurance activity, as well pension funds and monopolists in a dominant market position may not combine their main activities with any other commercial activities.	Types of activity are not limited, except for the types of activity, which must be licensed. There are other limitations on types of activities. Moreover, entities engaged in insurance activity, as well pension funds and monopolists in a dominant market position may not combine their main activities with any other commercial activities.
Foundation Documents	Regulations on a Representative Office approved by that company. Foundation documents are subject to registration with the justice authorities.	Regulations on a Branch are approved by that company and signed by an authorised person; subject to registration with the justice authorities.	Charter and foundation agreement (if there are more than one founder) approved by the Resolution of the founder (-s) and signed by an authorised person; subject to registration with the justice authorities.	Foundation agreement (Resolution of the Sole Participant) and Charter; subject to registration with the justice authorities.

¹ Article 10, item 1 of the LLP Law

Criteria	Representative office	Branch	LLP	JSC
<p>Business Entity</p>	<p>Not provided for a Representative Office, meanwhile, provisions of the legislation apply to Representative Offices depending on the size of a business entity of their head companies (if not defined, usually regarded as medium or large business entity).</p>	<p>Not provided for Branches; meanwhile, provisions of the legislation apply to the branches depending on the size of business entities of their head companies (if not defined, usually regarded as medium or large business entity).</p>	<p>Small business entities are legal entities performing private entrepreneurship with an average annual number of employees of up to 50 persons, and an average annual assets value of up to 60 MCI. Small business entities cannot be legal entities, which perform:</p> <ul style="list-style-type: none"> • activities related to drug trafficking, psychotropic substances and precursors; • production and (or) wholesale trade of excisable goods; • activity on storage of grain and at grain reception centres; • lottery organisation; • activity in gambling and show business; • activity on oil, gas, electricity and heating energy and oil products extraction, refining and sale; • activity related to radioactive materials; • banking activity (or separate forms of bank functions) and activity on insurance market (except for the activity of insurance agent); • auditing activity; • professional activity at the securities market; • activity of credit bureaus. <p>Medium business entities are legal entities performing private entrepreneurship with an average annual number of employees from 50 up to 250 persons and an average annual assets value of up to 325 000 MCI.</p> <p>Large business entities are legal entities performing private entrepreneurship with an average annual number of employees exceeding 250 persons and an average annual assets value more than 325 000 MCI².</p>	<p>Small business entities are legal entities performing private entrepreneurship with an average annual number of employees of up to 50 persons, and an average annual assets value of up to 60 MCI. Small business entities cannot be legal entities, which perform:</p> <ul style="list-style-type: none"> • activities related to drug trafficking, psychotropic substances and precursors; • production and (or) wholesale trade of excisable goods; • activity on storage of grain and at grain reception centres; • lottery organisation; • activity in gambling and show business; • activity on oil, gas, electricity and heating energy and oil products extraction, refining and sale; • activity related to radioactive materials; • banking activity (or separate forms of bank functions) and activity on insurance market (except for the activity of insurance agent); • auditing activity; • professional activity at the securities market; • activity of credit bureaus. <p>Medium business entities are legal entities performing private entrepreneurship with an average annual number of employees from 50 up to 250 persons and an average annual assets value of up to 325 000 MCI.</p> <p>Large business entities are legal entities performing private entrepreneurship with an average annual number of employees exceeding 250 persons and an average annual assets value more than 325 000 MCI².</p>

² In case of excess of any of these criteria during the course of activity of the company, such company shall undergo the procedure of introduction of amendments and alterations to the foundation documents and change status of entrepreneurship

Criteria	Representative office	Branch	LLP	JSC
Kazakhstan Taxpayer Status	Permanent establishment of a nonresident, taxpayer	Permanent establishment of a nonresident, taxpayer	Taxpayer	Taxpayer
Tax Registration of Director	Required	Required	Required	Required
Work Permit	Required for all foreign employees, except for the head of a Representative Office	Required for all foreign employees, except for the head of a Branch	Required for all foreign employees working in Kazakhstan, including the head of an LLP	Required for all foreign employees working in Kazakhstan, including the head of a JSC
Limitation of Participants Liability	Parent company is liable for obligations of a Representative Office in full	Parent company is liable for obligations of a Branch in full	LLP participants are not liable for the obligations of the LLP, but do bear a risk of losses associated with the LLP activities within the contributions made by them into the charter capital	JSC shareholders are not liable for the obligations of the JSC, but do bear a risk of losses associated with the LLP activities within the value of shares held by them
Charter Capital	Not required	Not required	The size of the Charter capital in an LLP shall not be less than an amount equal to 100 MCI for large and medium business entities, and 100 Tenge for small business entities. As a contribution to the Charter capital of a limited liability partnership may be money, securities, material valuables, property rights including the rights to subsoil use and intellectual property, and other property.	A minimum size of the Charter capital shall be 50,000 MCI
Periods for State Registration	For Representative Office of large and medium business - 11 business days after the submission of all required documents to registering authorities; for Representative Office of small business - 5 business days	For Branches of large and medium business - 11 business days after the submission of all required documents to registering authorities; for Branches of small business - 5 business days	For large and medium business entities - 11 business days after the submission of all required documents to registering authorities; for small business entities and LLPs that perform their activities under the standard Charter - 5 business days	For large and medium business entities - 11 business days after the submission of all required documents to registering authorities; for small business entities - 5 business days
State (Record) Registration Fee	6.5 MCI - for large and medium business entities; 2 MCI - for small business entities	6.5 MCI - for large and medium business entities; 2 MCI - for small business entities	6.5 MCI - for large and medium business entities; 2 MCI - for small business entities	6.5 MCI - for large and medium business entities; 2 MCI - for small business entities
Management Authorities	Head (director) of a Representative Office	Head (director) of a Branch	Supreme body - General Meeting of Participants (for a partnership where 100% of participatory shares held by the Sole Participant); Executive body - Sole or Collegial. There can be specified supervisory and controlling bodies as well (the Supervisory Council and Auditing commission (Auditor)).	Supreme body - General Meeting of Shareholders (for a company where 100% of shares held by the Sole Shareholder); Regulatory body - Board of Directors; Executive body - Collegial Executive Body or a person solely performing the functions of the collegial executive body, the name of which is to be determined by the company's Charter.

Criteria	Representative office	Branch	LLP	JSC
Accountant	Not obligatory, but recommended	Not obligatory, but recommended	Not obligatory, but recommended (except for the cases, when an LLP performs financial activity)	Not obligatory, but recommended (except for the cases, when a JSC performs financial activity)
Accounts Opening with Foreign Banks Abroad	No limitations. A Representative Office may settle accounts in foreign currency with both residents and nonresidents.	No limitations. A Branch may settle accounts in foreign currency with both residents and nonresidents.	The National Bank of the Republic of Kazakhstan shall be sent a notice with reporting. An LLP may settle accounts in foreign currency only with nonresidents.	The National Bank of the Republic of Kazakhstan shall be sent a notice with reporting. An LLP may settle accounts in foreign currency only with nonresident.
Legal Address	Confirmation of the legal address is required for Representative Offices in case of record registration; therefore, lease (sublease) agreement shall be signed any time before the submission of documents for the RepOffice records registration.	Confirmation of the legal address is required for Branches in case of record registration; therefore, lease (sublease) agreement shall be signed any time before the submission of documents for the Branch records registration.	Confirmation of the legal address is required for all business entities in case of record registration; therefore, lease (sublease) agreement shall be signed any time before the submission of documents for the LLP records registration.	Confirmation of the legal address is required for all business entities in case of record registration; therefore, lease (sublease) agreement shall be signed any time before the submission of documents for the JSC records registration.
Advantages	<ul style="list-style-type: none"> • Simplified form of registration • No charter capital is required • No limitations on opening accounts with foreign banks abroad 	<ul style="list-style-type: none"> • Simplified form of registration • No charter capital is required • No limitations on opening accounts with foreign banks abroad 	<ul style="list-style-type: none"> • Types of activities are not limited, except for the activities that require special licenses and permits under the laws • Liability is limited by participatory shares of participants • Free choice of participants • Resident of Kazakhstan • May participate in tenders. In this case is regarded as Kazakhstani supplier of goods and services 	<ul style="list-style-type: none"> • Types of activities are not limited, except for the activities that require special licenses and permits under the laws • Liability is limited by shares of shareholders • Free choice of participants • Resident of Kazakhstan • May participate in tenders. In this case is regarded as Kazakhstani supplier of goods and services
Disadvantages	<ul style="list-style-type: none"> • May not perform commercial activities • Parent company is responsible for the activities of the Representative Office in full • Is taxable in the same manner as legal entities • May not participate in tenders 	<ul style="list-style-type: none"> • Types of activities of the Branch are limited by the same of its parent company • Parent company is responsible for the activities of its Branch in full • Is taxable in the same manner as legal entities • Is not regarded as a Kazakhstani supplier when participating in tenders 	<ul style="list-style-type: none"> • Formation of the Charter capital is a must • Is subject to limitations on opening bank accounts with foreign banks abroad 	<ul style="list-style-type: none"> • Formation of the Charter capital is a must • Is subject to limitations on opening bank accounts with foreign banks abroad

Comparative Tax Table

Criteria	Branch Office	Subsidiary (LLP, JSC)
Taxpayer status in Kazakhstan	Has the status of a non-resident in Kazakhstan	Kazakh resident
Registration of the manager as a taxpayer	Required	Required
Taxation	Subject to Corporate Income Tax at the rate of 20% and branch profit tax at the rate of 15% (reduced to 5% under applicable Double tax treaties)	Subject to Corporate Income Tax at the rate of 20%. Dividends of owner of the Subsidiary are subject to corporate income tax at the rate of 15-20% (reduced to 5% or 10% under applicable Double tax treaties)
Legal Status	Not a legal entity	Legal entity
State fee for	9,828 Tenge	9,828 Tenge Exception: if the LLP is a small enterprise, then 3,024 Tenge
Accountant	Not obligatory, but recommended	Not obligatory, but recommended
Legal address	Confirmation of legal address is required for branch and representative offices at the records registration. Absence in place of legal address may result in deregistration of VAT.	Confirmation of legal address is required for all subjects of entrepreneurship at the state registration. Absence in place of legal address may result in deregistration of VAT.

We hope this information will be useful for you and your business. Should you have any questions or need further details, we would be glad to assist you.

Kind Regards,
GRATA Law Firm

FAQ to open a company in Kazakhstan

1. How is business activity performed in the Republic of Kazakhstan for foreign investors?

Foreign legal entities may do their business in Kazakhstan through registering either a subsidiary or branch/representative offices in the territory of Kazakhstan.

A subsidiary is understood a legal entity where majority of the charter capital has been formed by another legal entity or, under the agreements signed thereby, a parent company may define decisions taken by a subsidiary.

A branch/representative office is a structural subdivision of a foreign legal entity located in the territory of the Republic of Kazakhstan and not being a legal entity.

2. What is the most popular form of incorporation for a legal entity in the Republic of Kazakhstan?

The Kazakhstani laws provide a wide list of incorporation forms for companies, the most popular incorporation form for a legal entity in the Republic of Kazakhstan is, however, a Limited Liability Partnership ('LLP'). For activities such as, for instance, banking, insurance, etc., a Joint Stock Company ('JSC') shall be an obligatory form of incorporation.

The main features of a JSC as against an LLP are as follows: the minimum charter capital for a JSC is significantly higher than for an LLP, a JSC shall be obliged to publish the annual financial reporting. The structure of an LLP is more simplified and flexible, and allows adapting to the needs of commercial partners.

3. Whether certain types of activities require a license?

At the present time in Kazakhstan over 200 types of activities in the following areas are subject to licensing: industry, use of nuclear energy, turnover of poisonous substances, technical safety, transport, weapons and military equipment,

communication, agriculture, public health service, gambling, finance, construction, alcohol and tobacco products, export and import of goods.

The activities that are subject to licensing may be only carried out after the receipt of the respective licence. The transactions made without the respective licenses may be found void and may be challenged in the court.

If in the course of an audit the authorised bodies find that a company operates without obtaining a respective licence, they may claim for an administrative fine to be imposed on that company and for the seizure of its income obtained from such activity.

In certain cases, the authorised bodies may initiate crime liability of the companies' top officials.

4. Are there any investment preferences for investors?

Investment preferences are granted with respect to priority activities to be established and approved by the Government of the Republic of Kazakhstan (e.g., agriculture, construction, food production, etc.). Investment preferences are granted in the following form:

- 1) exemption from customs duties;
- 2) state in-kind grants.

However, please note that Kazakhstani laws also provide for tax incentives for investors. These tax incentives apply to the objects that are first-commissioned in Kazakhstan, and lie in the fact that their value can be allocated to deductions when paying income tax.

Besides, Kazakhstani legislation provides for the following special tax regimes:

- special tax regime for small business;
- special tax regime for farming;
- special tax regime for manufacturers of agricultural products.

Investors applying those tax regimes are provided with the benefits for calculation and payment of income tax, VAT, and other taxes.

5. Whether the trademark protection is required and possible?

The registration of a trademark is optional. The Republic of Kazakhstan applies the registration system for trademarks, which means that an authorised body can register a trademark without verification of the rights of an applicant to register the trademark. If you fail to register your trademark in due time, then any third party may register your trademark and you will not be able to use it. Period for a trademark registration is 15-18 months. The duration of a trademark is 10 years with further extension for an indefinite period.

6. Whether the work permit is required in order to work in Kazakhstan?

In order to perform labour activity in the Republic of Kazakhstan foreign citizens have to obtain the work permit. An actual period required for obtaining the work permit is 2-2.5 months after submission of the necessary documents. The work permit is not required:

- 1) for directors of branches or representative offices of foreign legal entities;
- 2) for directors of organisations that concluded with the Government of the Republic of Kazakhstan contracts for investments, which in money equivalent amounts to over 50 million US Dollars; and for directors of legal entities of the Republic of Kazakhstan, which are investing within priority activities and which concluded a contract with an authorised body for investments;

3) or persons, who are in a business trip, which lasts in total not more than 60 calendar days within one calendar year; and

4) for persons, who are seconded to a legal entity of the Republic of Kazakhstan or a branch/representative office of a foreign company for a period of 60 days subject to the similar secondment for Kazakhstani personnel to a legal entity outside of Kazakhstan under the relevant contract. In this case, the period of secondment should not exceed 180 days for one calendar year.

To obtain work permit for a foreign employee is the liability of employers rather than the foreign employees.

The procedure for work permit obtaining is specified in the details, and according to practice, such procedure has been complicating for the last years.

When obtaining work permits, the employer is to comply with certain requirements, such as creation of new jobs for local employees, ensuring retraining and advanced training for local employees.

The failure to comply with the above requirements may lead to harsh consequences for both the employer and employees. For example, an employer that failed to obtain work permit may be subject to administrative fine and refusal to issue new or to extend earlier issued work permits, and the employee may be subject to the deportation from Kazakhstan and a 5-year exclusion.

7. Is it possible to raise monetary funds from a head company?

Yes, it is possible. However, if the period, to which the funds are provided, is more than 180 days, such transaction is to be registered with the National Bank of the Republic of Kazakhstan.

8. Is it possible to reduce income tax rates on income earned in Kazakhstan by a foreign company?

Yes, it is possible. Kazakhstani legislation allows foreign companies to reduce the income tax rate or fully exempt from taxation income received in Kazakhstan by applying the provisions of the international double taxation convention. Currently, Kazakhstan has signed and ratified double taxation conventions with 45 countries.

9. Are there any free economic zones in the Republic of Kazakhstan?

There are several free economic zones in Kazakhstan, they are: National Industrial Petrochemical Technopark in Atyrau region, Burabai in the Schuchinsk district of Akmola region, Ontustik in Sairam district of South Kazakhstan region, Astana - the new city in Astana, Park of Information Technologies in Almaty, Aktau Seaport in Aktau, Mangistau region. These zones are exempted from income tax, land tax and property tax. To enjoy the said preferences, a legal entity have to be registered as a tax payer in the territory of the given free economic zone and produce goods or render services, which correspond to the purposes of this free economic zone.

Please also note that the Parliament of Kazakhstan is considering a draft law on special economic zones, which provides for tax incentives for VAT and social tax.

10. Are there any restrictions for foreign legal entities with regard to the acquisition of the ownership and land use rights for a land?

Foreign legal entities have equal rights and obligations with Kazakhstani legal entities with regard to acquisition of the ownership and land use rights, except for the lands intended

for commercial agriculture and forest planting. These lands cannot be transferred into private ownership of a foreign legal entity. Land use right to these lands cannot be granted for more than 10 years. Please note that foreign legal entities may own a land plot for construction of industrial and residential buildings and complexes, including the land plots designated for the maintenance of buildings (structures) in accordance with their purposes.

11. When do transactions require an obligatory anti-monopoly approval?

Approval of the anti-monopoly authority is requested for transactions such as acquisition of participatory interest in a Kazakhstani company or companies that directly or indirectly control Kazakhstani companies, as well as for other transactions. Such approval is required when total amount of assets of a purchaser or its group of entities (as defined by the Law on Competition) and the target company or their total volume of sales for the previous financial year exceeds the limit, which in 2011 amounts to 20,700,000 US Dollars.

The procedure for obtaining anti-monopoly approval takes 2-3 months and in practice is very complicated.

12. How are disputes settled in the Republic of Kazakhstan?

In case when the parties cannot reach an agreement, they may apply to the Kazakhstani state court or an international arbitration court (subject to the relevant agreement between the parties). Moreover, the parties may also settle disputes through a mediator.

13. Which disputes fall within the exclusive competence of the courts of the Republic of Kazakhstan?

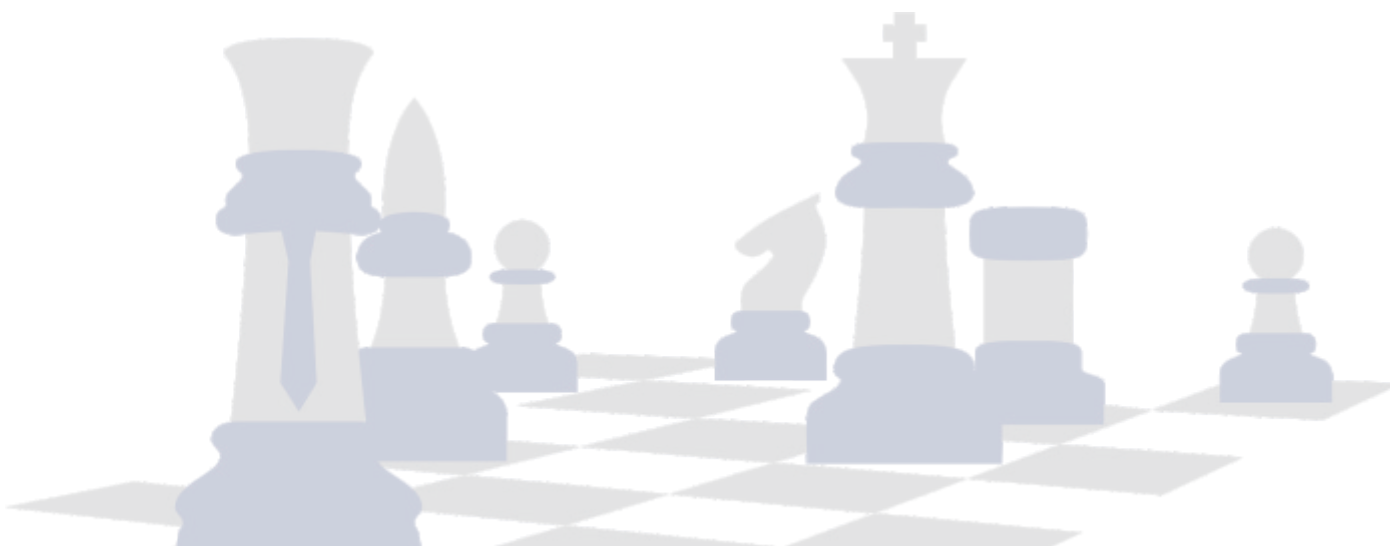
The exclusive jurisdiction of the Republic of Kazakhstan courts covers:

1. Cases associated with the right to immovable property, which is situated in the Republic of Kazakhstan
2. Cases associated with the statement of claims against carriers arisen from transportation agreements
3. Divorce cases between Kazakhstani citizens and foreign citizens or stateless persons, if both spouses are residing in the Republic of Kazakhstan
4. Cases of the special action proceedings of the Civil Procedural Code of the Republic of Kazakhstan (appealing the decisions of state authorities, legality of the legislation, etc.)

Investments disputes are settled in accordance with international treaties and the legislation of the Republic of Kazakhstan with the courts of the Republic of Kazakhstan and also with the international arbitration tribunals as defined by the parties.

14. Whether arbitral awards are enforceable in the Republic of Kazakhstan?

Yes, foreign arbitral awards are enforceable in Kazakhstan since it joined to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards, dated 10 June 1958, and the European Convention on International Commercial Arbitration, dated 21 April 1961. To enforce an arbitral award it is required to apply to the state court with an application for admission and enforcement of a foreign arbitral award, and then apply to the court enforcement service for further execution.



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