

On Financial Leasing

Unofficial translation

The Law of the Republic of Kazakhstan dated 5 July, 2000 No. 78.

Unofficial translation

This Law regulates relations, arising in the process of financial leasing, and directed on attracting investments on the basis of leasing activity.

Chapter 1. General provisions

Article 1. Legal regulation of financial leasing

- 1. The legislation on financial leasing shall be based on the Constitution of the Republic of Kazakhstan and consists of provisions of this Law, Civil Code and other regulatory legal acts of the Republic of Kazakhstan.
- 2. If the international treaty, ratified by the Republic of Kazakhstan establishes the other rules, than those, provided by the legislation of the Republic of Kazakhstan, the rules of international treaty shall be applied.

Article 1-1. Main purposes, objective and principles of state regulation of the field of financial leasing

- 1. The main purposes of government regulation in the area of financial leasing are to set up the legal framework for leasing activities, create a fair competitive environment in financial leasing, and provide legal protection for the rights and legitimate interests of lessees and lessors.
- 2. The main objective of state regulation in the field of financial leasing is to create favorable conditions for attracting investment based on leasing activities.
 - 3. The main principles of state regulation in the field of financial leasing are:
 - 1) equality of the parties to the leasing relationship;
- 2) freedom to carry out leasing activities, except in cases provided for by the laws of the Republic of Kazakhstan.

Footnote. Chapter 1 was supplemented with Article 1-1 in accordance with the Law of the Republic of Kazakhstan dated 30.06.2025 № 205-VIII (shall be enforced sixty calendar days after the day of its first official publication).

Article 2. Basic definitions

The following basic definitions are used in this Law:

financial leasing (hereinafter referred to as "leasing") is a type of investment activity in which the lessor undertakes to transfer the subject of leasing purchased from the seller and conditioned by the leasing agreement to the lessee for a certain fee and under certain conditions into temporary possession and use for a period of more than one year. At the same time, the transfer of the leased asset under the leasing agreement shall meet one or more of the following conditions:

- 1) transfer of a leasing subject into ownership of a lessee and (or) granting the right for acquisition of a leasing subject at the fixed price to lessee are determined by the lease agreement;
 - 2) leasing period shall exceed 75 percent of useful period of service of leasing subject;
- 3) current (discounted) value of lease payments for the whole leasing period shall exceed 90 percent of value of transferred leasing subject;
- a lessor a leasing deal participant, that shall take possession of a leasing subject and transfer it to lessor on conditions of the lease agreement on account of attracted and (or) owned money. A lessor shall not have the right to act in the capacity of other participant at the same time, within the frame of one leasing deal;

lessee - party to a lease transaction that accepts the leased asset under the terms of the lease agreement;

a leasing deal – a set of coordinated actions of leasing participants, directed on establishment, change or termination of civil rights and obligations;

leasing activity – an activity of a lessor on fulfillment of the lease agreement conditions; inconsumable things – movable and immovable property, that degrades when using, but doesn't lose its natural properties in the process of its usage;

a seller – a leasing deal participant, from whom a lessor acquires a leasing subject on the basis of buy and sell agreement or lease agreement. A seller may act in the capacity of a lessee of a leasing subject (redemption leasing) at the same time; leasing deal participants – individuals, that are individual entrepreneurs, and legal entities, acting in the capacity of a lessor and a lessee, as well as individuals and legal entities acting in the capacity of a seller of a leasing subject;

leasing period – the period, on which a leasing subject shall be provided to lessor for a temporary possession and use in accordance with the lease agreement. By this, in preservation of the right of ownership on a leasing subject, the early termination of the lease agreement on behalf of a lessor shall not entail changes of the leasing period.

Footnote. Article 2 as amended by the Law of the Republic of Kazakhstan dated 10 March , 2004 N_2 532; N_2 184-VI dated 05.10.2018 (shall be enforced upon the expiration of ten calendar days after the date of its first official publication).

Article 3. Forms and types of leasing

This Law shall regulate the following basic forms and types of leasing.

- 1. Forms of leasing:
- 1) inner leasing. In carrying out of inner leasing, a lessor and lessee shall be the residents of the Republic of Kazakhstan;

- 2) international leasing. In carrying out of international leasing, a lessor or lessee shall be the non-residents of the Republic of Kazakhstan.
 - 2. Types of leasing:
- 1) redemption leasing the variety of leasing, whereby a seller shall sell a leasing subject to lessee with a condition of receiving this leasing subject into the leasing in the capacity of a lessee;
- 1-1) secondary leasing the variety of leasing, whereby a leasing subject, left in the ownership of a lessor shall be transferred into the leasing of other lessee in case of termination or dissolution of the lease agreement, in accordance with Article 2 of this Law;
- 2) bank leasing the variety of leasing, whereby a bank shall act in the capacity of a lessor;
- 3) full-service leasing the variety of leasing, whereby the maintenance of leasing subject and its current repair shall be carried out by a lessor;
- 3-1) subleasing a type of leasing in which the lessee (sub-lessor) in accordance with Article 2 of this Law transfers to third parties (sub-lessees) for temporary possession and use for a fee and for a period of time in accordance with the terms of the subleasing agreement the property received earlier from the lessor under the leasing agreement and constituting the leasing subject;
- 4) net leasing the variety of leasing, whereby the maintenance of leasing subject and its current repair shall be carried out by a lessee.
- 5) Islamic leasing a type of leasing, carried out taking into account the specifics established by Chapter 2-1 of this Law, Islamic banks on the basis of a license of an authorized body for regulation, control and supervision of the financial market and financial organizations, as well as by other legal entities created in the organizational-legal form of a joint stock company and that are not banks.

Footnote. Article 3 as amended by the Law of the Republic of Kazakhstan dated 10 March 2004, № 532; dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after the day its first official publication); dated 05.10.2018 № 184-VI (shall be enforced upon expiration of ten calendar days after the day of its first official publication); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).

Article 4. Leasing subject

- 1. Leasing subject may be the buildings, constructions, vehicles, equipment, inventory, transport, land plots and any other inconsumable things.
 - 2. Leasing subject may not be the securities and natural resources.
- 3. The legislative acts may establish the other restrictions of using the other categories of things and land plots in the capacity of a leasing subject.
- 4. Leasing subject, left in the ownership of a lessor may be used by a lessor for the following transfer to other lessee into leasing, in case of termination or dissolution of the lease agreement.

In the following transfer of this leasing subject into leasing, it is recognized that the choice of a seller and leasing subject are carried out by a lessor.

Footnote. Article 4 as amended by the Law of the Republic of Kazakhstan dated 10 March , 2004, Note 532.

Article 5. Right of ownership of leasing subject

- 1. The right of ownership of a leasing subject, transferred for a temporary possession and use to lessee, shall be preserved on behalf of a lessor within the whole lease agreement validity period, with the exception of cases of passing of leasing subject into ownership of a lessee before expiry of the lease agreement validity period (if this passing is provided by the lease agreement), carrying out upon condition of fulfillment of all the lessee's financial obligations under the lease agreement.
- 2. In the event of liquidation or bankruptcy of the lessee, the leased item is subject to return to the lessor if the lease price is not paid, except in cases stipulated by the legislation of the Republic of Kazakhstan on rehabilitation and bankruptcy.

Seizure and confiscation of the leased asset is not permitted.

- 3. Products and other income (including subsidies recognized as income in accordance with the tax legislation of the Republic of Kazakhstan) received as a result of the use of the leased asset, as well as separable improvements to the leased asset made by the lessee, shall be the property of the lessee, unless otherwise provided by the lease agreement.
- 4. In case when a lessee performed improvements, non-removable without harm for a leasing subject on account of owned funds, he (she) shall have the right to compensation of value of these improvements after termination of agreement, unless otherwise provided by the lease agreement.
- 5. Value of non-removable improvements, performed by a lessee without consent of a lessor, shall not be compensated, unless otherwise provided by the legislative acts or lease agreement.
- 6. Transfer of the right of ownership, economic and operative management on a leased property to other person shall not be the ground for modification or dissolution of the lease agreement. By this, the rights and obligations of a lessor shall be transferred to new owner, determined by the lease agreement.

Footnote. Article 5 as amended by the Law of the Republic of Kazakhstan dated 10 March 2004, № 532; dated 07.03.2014 № 177-V (shall be enforced upon expiry of ten calendar days after the day its first official publication); № 156-VI dd. 24.05.2018 (shall be enforced upon expiration of ten calendar days after the day of its first official publication); dated 30.06.2025 № 205-VIII (shall be enforced sixty calendar days after the day of its first official publication)

Article 6. Subleasing

1. Unless otherwise provided by the legislative acts of the Republic of Kazakhstan or leasing agreement, a lessee shall have the right to lease a leasing subject in subleasing with

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the written consent of a lessor. By this, a sublessor and sublessee shall act in the capacity of a lessor and lessee, shall have the right and incur obligations, determined by this Law for these leasing deal participants.

By this, the transfer of the lessee's obligations to sublessee on disbursement of lease payment according to the lease agreement shall be allowed only with the written consent of a lessor.

- 2. The lease agreement may not be concluded for the period, exceeding the term of lease agreement.
- 3. The lease agreement regulations shall be applied to the sublease agreement, unless otherwise provided by the legislative acts or lease agreement.
- 4. Unless otherwise provided by the lease agreement, the early termination of the lease agreement shall entail the termination of concluded sublease agreement in accordance with it. By this, a sublessee shall have the right to conclude the lease agreement with a lessor on a lease subject that is in his (her) use in accordance with the sublease agreement, within remaining period of subleasing on the conditions, relevant to the conditions of terminated lease agreement.
- 5. If a leasing contract is found invalid on the grounds provided for in this Law, the Civil Code or other legislative acts of the Republic of Kazakhstan, the sublease contract concluded pursuant to it is considered null and void.

Footnote. Article 6 as amended by the Law of the Republic of Kazakhstan dated 10 March 2004, № 532; dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 7. Protection of rights of a lessee

Lessee shall be secured by protection of his (her) rights on a leasing subject upside with a property right protection.

Lessee shall have the right to bring the actions and protect the rights belonged to him (her) by other ways in his (her) own name in the period of validity of the lease agreement.

Article 8. Transfer of the leased asset to the lessee's property

A leasing contract, with the exception of Islamic leasing contract, may provide for the right or obligation of the lessee to acquire the leased asset at a predetermined price.

Footnote. Article 8 in the new wording of the Law of the Republic of Kazakhstan dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 9. (Article 9 is excluded by the Law of the Republic of Kazakhstan dated 10 March 2004, № 532)

Article 10. Licensing of leasing activity

Licensing of leasing activity of banks as a lessor shall be carried out by the authorized body for regulation, control and supervision of the financial market and financial organizations in cases, provided by the legislative acts of the Republic of Kazakhstan.

Other legal entities and individuals who are private entrepreneurs carry out leasing activities as a lessor without a license after sending a notice on the commencement of activities to the authorized body for financial monitoring in accordance with the procedure established by the Law of the Republic of Kazakhstan "On Permissions and Notifications".

Footnote. Article 10 as amended by the Laws of the Republic of Kazakhstan dated 10.07.2003 № 483 (shall be enforced from 1 January 2004); dated 23 December 2005 № 107 (the order of enforcement See Article 2 of the Law № 107); dated 05.07.2012 № 30-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 02.08.2015 № 343-V (shall be enforced from 20.04.2016); dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).

Chapter 2. Legal foundations of leasing relations

Article 11. Rights and obligations of a lessor

- 1. Lessor shall have the right to:
- 1) demand unextinguished lease payments owed to him (her), as well as compensation for losses;
- 2) carry out control of fulfillment of the lease agreement conditions by a lessee in accordance with the lease agreement;
- 3) demand introduction of payments for expiry of period and compensation for losses, in case of breach of obligations by a lessee on return of leasing subject;
- 4) claim a leasing subject from a lessee in cases, provided by the legislation of the Republic of Kazakhstan.
 - 2. Lessor shall be obliged to:
- 1) acquire leasing subject into ownership of a seller, coordinated with a lessee for its transfer to lessee on the terms of lease agreement;
- 2) inform seller in written during conclusion of buy and sell agreement that a leasing subject shall be intended for its transfer to defined lessee (sublessee) into leasing;
- 2-1) inform seller in written that a leasing subject is transferred into possession and use of new lessee (secondary leasing, subleasing, substitution of persons in the obligation) within one month from the moment of this transfer on the grounds, provided by the legislation of the Republic of Kazakhstan;
 - 3) provide leasing subject to lessee upon the terms, specified by the lease agreement;
- 4) inform the authorized body on financial monitoring in accordance with the Law of the Republic of Kazakhstan "On combating legalization (laundering) of proceeds from crime and financing of terrorism".
- 3. The lease agreement may provide the other rights and obligations of a lessor, not inconsistent with legislative acts of the Republic of Kazakhstan.

Footnote. Article 11 as amended by the Law of the Republic of Kazakhstan dated 10 March 2004 № 532; dated 02.08.2015 № 343-V (shall be enforced from 01.04.2016).

Article 12. Rights and obligations of a lessee

- 1. Lessee shall have the right to:
- 1) possess and use of a leasing subject on the terms of lease agreement;
- 2) place requirements to seller, in respect of quality and completeness of a leasing subject, its delivery period and in other cases of improper execution of agreement, concluded between a seller and lessor;
- 3) suspend lease payments, that shall be subject to pay, in case of fundamental breach of the terms of lease agreement by a lessor, unless a lessor satisfies obligations to lessee according to lease agreement, unless otherwise provided by the lease agreement;
- 4) reclaim lease payments, paid to them in advance in unilateral termination of lease agreement by a lessor, unless otherwise provided by the lease agreement;
- 5) refuse from a leasing subject or demand substitution of a leasing subject, dissolve the lease agreement in cases, when a leasing subject is not supplied, supplied with essential delay or supplied with fatal defects, preventing use of a leasing subject as intended, with the exception of cases of choice of a seller and leasing subject by a lessee, unless otherwise provided by the lease agreement;
- 6) demand compensation for damages in case of non-fulfillment or improper fulfillment of the lease agreement conditions by a lessor;
- 7) demand relevant reduction of leasing amount and lease payments, if use conditions, provided by the lease agreement are essentially degenerated as a result of circumstances beyond his (her) responsibility, unless otherwise provided by the lease agreement.
 - 2. Lessee shall be obliged to:
 - 1) receive leasing subject in the manner, prescribed by the lease agreement;
 - 2) pay lease payments in a proper time;
 - 3) use leasing subject in accordance with its intension, according to lease agreement;
- 4) maintain leasing subject in a state, in which it was transferred to him (her) by a lessor, in recognition of natural wear and tear and those changes in a leasing subject, coordinated by parties;
- 5) carry out support (including payment of necessary public utility charges, connected with leasing subject) and servicing of leasing subject, its current repair at owned charges, unless otherwise provided by the lease agreement or legislative acts;
- 6) provide unimpeded access for a lessor to leasing subject, unless otherwise provided by agreement and legislation of the Republic of Kazakhstan.
- 3. The lease agreement may provide other rights and obligations of a lessee, not inconsistent with legislation acts of the Republic of Kazakhstan.

Footnote. Article 12 as amended by the Law of the Republic of Kazakhstan dated 10March, 2004 № 532.

Article 13. Rights and obligations of a seller

The rights and obligations of a seller shall be determined in accordance with the legislation of the Republic of Kazakhstan and buy and sell agreement.

In case, if the lease agreement is concluded with participation of a lessor, lessee and seller , the rights and obligations of a seller shall be determined in accordance with the lease agreement.

Footnote. Article 13 as amended by the Law of the Republic of Kazakhstan dated 10March, 2004 № 532.

Article 14. Liability of leasing participants

- 1. Liability of a lessor, lessee and seller shall be determined by the lease agreement, buy and sell agreement and legislative acts of the Republic of Kazakhstan.
- 2. Seller of a leasing subject shall bear liability to lessee on fulfilling the buy and sell agreement, concluded between a seller and lessor, particularly in respect of quality and completeness of a leasing subject, periods of its delivery and in other cases of improper execution of agreement by a seller. By this, a lessee shall have the right and shall incur obligations, provided by the Civil Code for a customer, except for obligation to pay acquired leasing subject, as it were the side of buy and sell of the mentioned leasing subject. In case, if a seller accedes to requirements of a lessee, then any modifications of leasing subject transfer conditions (completeness, delivery periods and etc.) to lessee shall be mandatory coordinated with a lessor.

In respect of a seller, a lessee and lessor shall act as joint and several creditors.

- 3. Lessor shall not answer to lessee for fulfilling requirements by a seller, arising from the buy and sell agreement, except for the cases, when the right of choice of a seller lies on a lessor, unless otherwise provided by the lease agreement. In a latter case, a lessee shall have the right to submit requests, arising from the buy and sell agreement at his (her) own opinion, directly to seller of property, as well as to lessor, that shall bear joint and several responsibilities.
- 4. In a breach of obligations on notification of a seller by a lessor in accordance with subparagraphs 2) and 2-1) of paragraph 2 of Article 11 of this Law, a lessor shall bear full liability to lessee for fulfilling requirements by a seller, arising from the buy and sell agreement.

Footnote. Article 14 as amended by the Law of the Republic of Kazakhstan dated 10March, 2004 № 532.

Article 15. Lease agreement

- 1. Under the leasing agreement, the lessor undertakes to transfer the object of leasing purchased from the seller and agreed with the lessee to the lessee for temporary possession and use for a fee.
 - 2. The lease agreement shall contain the following essential conditions:
 - 1) a leasing subject;

- 2) the name of a leasing subject's seller, indicating who made a choice of a seller and leasing subject;
 - 3) conditions and period of transfer of a leasing subject to lessee;
 - 4) amount and periodicity of lease payments;
 - 5) costs of a leasing subject;
 - 6) the agreement validity period;
- 7) conditions of transfer of a leasing subject into ownership of a lessee, if this transfer is provided by the agreement;
 - 8) description of a leasing subject;
 - 9)-13) (are excluded)

In the absence of these conditions, the lease agreement shall be considered as unconcluded.

- 3. Other conditions may be included to the lease agreement under agreement of parties.
- 4. A leasing contract must be concluded in writing. Failure to comply with the written form of a leasing contract entails its voidness.

Footnote. Article 15 as amended by the Law of the Republic of Kazakhstan dated 10March, 2004 № 532; dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after the day its first official publication); № 184-VI dd. 05.10.2018 (shall be enforced upon expiration of ten calendar days after the day of its first official publication).

Article 16. Validity of the lease agreement

- 1. Validity of the lease agreement shall be determined by parties in recognition of provisions, determined by Article 2 of this Law.
- 2. The lease agreement shall be enforced and become mandatory for all the parties from the moment of signing the agreement, unless otherwise provided by the legislation or lease agreement.
- 3. The lease agreement shall be terminated from the moment of fulfilling obligations by parties, as well as in other cases, provided by the legislative acts.

Footnote. Article 16 as amended by the Law of the Republic of Kazakhstan dated 10 March, 2004 № 532.

Article 17. Modification and dissolution of the leasing agreement

Modification and dissolution of the lease agreement shall be carried out in the cases and in the manner, determined by the legislation of the Republic of Kazakhstan or lease agreement.

Footnote. Article 17 is in the wording of the Law of the Republic of Kazakhstan dated 10 March, 2004 № 532.

Article 18. Substitution of a lessor or lessee

Lessor and lessee shall have the right to transfer all the rights, belonged to them under the lease agreement to third parties by mutual consent of parties, unless otherwise provided by this Law, lease agreement or legislative acts of the Republic of Kazakhstan.

Article 19. Transfer of a leasing subject to lessee

- 1. Leasing subject shall be transferred by a seller directly to lessee in location area of the latter, unless otherwise provided by the lease agreement or buy and sell agreement.
- 2. Leasing subject shall be transferred to lessee together with all its materials and documents related to it (documents, certifying completeness, safety, quality, order of installment, set-up, operation and other), unless otherwise provided by the lease agreement.
- 3. In cases of breach of obligations by a seller under the buy and sell agreement of a leasing subject, a party of the lease agreement, that selected a seller shall bear losses connected with this, unless otherwise provided by the lease agreement.
- 4. In case of non-conformity of a leasing subject to the purposes of its use under the lease agreement, a party of the lease agreement that selected a leasing subject shall bear losses, connected with this, unless otherwise provided by the lease agreement.

Footnote. Article 19 as amended by the Law of the Republic of Kazakhstan dated 10 March, 2004 № 532.

Article 20. Property risks, connected with a leasing subject

- 1. Liability for preservation of a leasing subject, as well as the risks, connected with its wreckage, forfeiture, waste, premature failure, stealing and made miscalculations in the course of installation, assembly or operation of a leasing subject, lead to the failure to its use in the volume, provided by the technical documentation, and other property risks from the moment of actual acceptance of a leasing subject shall be borne by a lessee, unless otherwise provided by the agreement.
- 2. Obligation of a lessor or lessee to insure the leasing subject may be provided by the lease agreement.
- 3. If the party, obliged to insure a leasing subject didn't carry out insurance in accordance with conditions of the lease agreement, the other party shall have the right to insure a leasing subject and demand compensation for losses from obliged party in the form of insurance payment.
- 4. Wreckage, forfeiture, waste, stealing of a leasing subject or forfeiture of its functions or if by force of circumstances for which a lessee shall not answer, a property is in condition, unsuitable for use, shall not release a lessee from obligations under the lease agreement and are not the ground for early dissolution of the lease agreement upon demand of a lessee, unless otherwise provided by the lease agreement.

Footnote. Article 20 as amended by the Law of the Republic of Kazakhstan dated 10 March, 2004 № 532.

Article 21. Lease payments

Lease payments – the periodic payments, that is represented as total payments under the lease agreement for the whole period of validity of the lease agreement, that shall be

calculated in recognition of compensation of all or essential part of a leasing subject's value at the price for the moment of conclusion of the lease agreement and carried out within the validity period of the lease agreement, that shall include:

- 1) compensation for expenses to lessor on acquisition of a leasing subject and any other expenses, directly connected with acquisition and conditioning for intended use in accordance with the lease agreement;
 - 2) recompense on leasing.

Footnote. Article 21 as amended by the Law of the Republic of Kazakhstan dated 10 March, 2004 № 532.

Article 22. Leasing accounting

The leasing accounting shall be carried out in accordance with requirements of the legislation on business accounting.

Article 23. Return of a leasing subject

- 1. Lessee shall return a leasing subject, if the lease agreement didn't provide the right or obligation of a lessee to acquire a leasing subject into ownership or he (she) didn't exercise provided right of redemption of a leasing subject, or the lease agreement was early terminated in a judicial proceeding, as well as in other cases, provided by the lease agreement and legislative acts of the Republic of Kazakhstan.
- 2. Leasing subject shall be returned in the same condition, in which it was received by a lessor, in recognition of natural wear and tear or in condition, provided by the lease agreement.
- 3. If condition of returnable leasing subject does not conform to conditions, provided in paragraph 2 of this Article, a lessee shall compensate incurred damage to lessor, unless otherwise provided by the lease agreement.
- 4. If a leasing subject drops out of normal operative condition ahead of time, provided by its technical characteristics, due to its improper operation by a lessee and returns to lessor, a lessee shall be obliged to compensate the losses to lessee, unless otherwise provided by the lease agreement.
- 5. If a lessee is obliged to return a leasing subject and didn't return it, or returned it untimely, a lessor shall have the right to demand introduction of lease payments for the whole period of delay. In case, if the lease payments do not cover incurred losses to lessor, he (she) shall have the right to demand their compensation.

Footnote. Article 23 as amended by the Law of the Republic of Kazakhstan dated 10 March, 2004 № 532.

Article 24. Vindication of a leasing subject

1. Lessor shall have the right to vindicate a leasing subject in the manner, prescribed by the legislation of the Republic of Kazakhstan, in cases, determined by the agreement or legislative acts of the Republic of Kazakhstan, unless otherwise provided by the lease agreement.

- 2. Lessor shall have the right to doubtless vindication of a leasing subject in the following cases:
- 1) if the use of the leasing subject by a lessee doesn't conform to the lease agreement conditions or intension of a leasing subject;
 - 2) if a lessee limits access of a lessor to leasing subject;
- 3) if a lessee doesn't introduce lease payment twice and more in a row within the periods, provided by the agreement, under the lease agreement in established amount.
- 3. Doubtless vindication of a leasing subject shall be carried out in the manner of writ proceedings in accordance with the Civil Procedure Code of the Republic of Kazakhstan.
 - 4. For rendering of judicial order, a lessor shall present:
 - 1) an application;
 - 2) the lease agreement;
- 3) the written warning on possible vindication of a leasing subject, directed to lessee not less than one month before filing the application;
 - 4) the documents, confirming actual payment of the lease payments by a lessee.
- 5. Lessee shall have the right to refer the issued order, objections against the filed claim on a vindication of a leasing subject using any means of communication within ten-day period from the date of receiving a copy of judicial order.

Footnote. Article 24 as amended by the Law of the Republic of Kazakhstan dated 10 March, 2004 № 532.

Chapter 2-1. Specifics of implementing Islamic leasing

Footnote. The Law is supplemented by chapter 2-1 in accordance with the Law of the Republic of Kazakhstan dated 27.04.2015 № 311-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 24-1. Requirements for implementing Islamic leasing

- 1. In carrying out activities for Islamic leasing, legal entities are required to comply with the Islamic financing principles, as well as other requirements established by this article.
 - 2. Islamic financing principles are:
- 1) the ban on financing by the lessor of activities related to production and / or trade of tobacco, alcohol products, weapons and ammunition, gambling, and other types of entrepreneurial activities, financing of which is prohibited by the Council on Islamic financing principles;
- 2) the ban on receiving by the lessor of remuneration in the form of interest from investing money related to Islamic leasing.

The Council on Islamic financing principles or an external independent expert on Islamic financing principles (hereinafter - external independent experts) may additionally determine other mandatory requirements for the activities of the lessor and the lessee.

- 3. It is not allowed to use the leased asset by the lessee or transfer it to the subleasing for carrying out the activities specified in subparagraph 1) of part one of paragraph 2 of this article.
- 4. The ownership right of the leased asset passes to the lessee on the basis of a separate agreement after fulfilling its obligations to the lessor under the Islamic leasing contract.
- 5. The lessee shall pay the leasing payments after the transfer of the leased asset to the lessee.
- 6. The amount of fines and penalties for non-fulfillment and / or improper fulfillment of obligations by the lessee in part or in full may be directed by the lessor to charity assistance by decision of the Council on Islamic financing principles or by external independent experts.
- 7. The lessor, who is not an Islamic bank, keeps separate records of income and expenses for Islamic leasing from income and expenses for other activities.

Article 24-2. Activities of the Council on Islamic financing principles

1. To determine the compliance of Islamic leasing transactions, the lessor must create a council on the principles of Islamic financing. In the cases provided for by the regulatory legal act of the authorized body for regulation, control and supervision of the financial market and financial organizations, the lessor shall have the right to engage external independent experts to obtain an opinion on compliance of Islamic leasing transactions with the principles of Islamic financing without creating a council on the principles of Islamic financing.

The requirements for external independent experts shall be established by the regulatory legal act of the authorized body for regulation, control and supervision of the financial market and financial organizations.

- 2. The Council on Islamic financing principles is an independent body appointed by the general meeting of shareholders of the lessor on the recommendation of the board of directors . External independent experts are determined by the board of directors of the lessor.
- 3. The internal normative documents of the lessor that regulate Islamic leasing are subject to approval by the lessor's board of directors in the presence of a positive opinion of the Council on Islamic financing principles or external independent experts.
- 4. The tasks, functions and powers of the council on Islamic financing principles, as well as the procedure for its establishment and requirements for members of the council on Islamic financing principles are determined by the regulation approved by the general meeting of shareholders of the lessor.
- 5. The tasks, functions, powers of external independent experts and requirements for them are determined by the regulation approved by the lessor's board of directors.

Footnote. Article 24-2 as amended by the Law of the Republic of Kazakhstan dated 03.07.2019 № 262-VI (shall be enforced from 01.01.2020).

Article 24-3. Islamic leasing contract

- 1. Islamic leasing contract must contain the following essential conditions:
- 1. The subject of the contract;

- 2) an indication of the purpose of using the leased asset and the obligation to respect the target use of the leased asset by the lessee in accordance with the Islamic financing principles;
 - 3) the conditions and deadline for transfer of the leased asset to the lessee;
 - 4) the fixed size and frequency of leasing payments;
 - 5) the fixed value of the leased asset;
- 6) the exhaustive list and amount of expenses of the lessor, subject to reimbursement by the lessee in connection with the transfer of the leased asset;
 - 7) the term of the contract.
- 2. Islamic leasing contract may not provide for the transfer of the leased asset to the lessee's property. The ownership right for the leased asset may be transferred to the lessee on the basis of a separate agreement.
- 3. In the event of conclusion of an Islamic leasing contract for the leased asset that is not owned by the lessor, the leasing contract provides for the term during which the lessor has the right to create a leased asset or acquire it.
- 4. If the lessor provides the property that does not comply with the terms of the Islamic leasing contract, the lessee has the right to refuse to execute the Islamic leasing contract or to demand the leasing of property, meeting the terms of the Islamic leasing contract.
- 5. Under the Islamic leasing contract, the expenses of the lessor for insurance, capital repairs and other expenses may be included in leasing payments upon mutual consent of the parties.
- 6. Under the Islamic leasing contract, the lessee is liable for the safety of the property and the risks specified in paragraph 1 of Article 20 of this Law, with the exception of cases provided for in paragraph 7 of this article, as well as the case of premature failure associated with the allowed miscalculations during installation and assembly of the subject of Islamic leasing.
- 7. Under the Islamic leasing contract, the lessee is released from the obligations and has the right to terminate the Islamic leasing contract in case of death, loss, damage, theft of the leased asset or when the leased asset loses its functions due to circumstances for which the lessee is not responsible.

Article 24-4. Consequent effects of Islamic leasing operations being recognized as inconsistent with Islamic financing principles

- 1. If the council on principles of Islamic finance or external independent experts recognize a transaction at the stage of conclusion that shall not meet the requirements specified in paragraph 1 of Article 24-1 of this Law, such transaction cannot be concluded and executed.
- 2. If the council on principles of Islamic Financing or external independent experts recognize a transaction concluded, but not executed or partially executed, shall not meet the requirements specified in paragraph 1 of Article 24-1 of this Law, such transaction shall be terminated ahead of the schedule in accordance with the procedure established by civil legislation of the Republic of Kazakhstan.

3. In the case of recognition by the Islamic finance principles board or external independent experts of an executed or partially executed transaction that does not meet the requirements specified in paragraph 1 of Article 24-1 of this Law, the income from such transaction shall be directed to charity.

Chapter 3. Final provisions

Article 25. Regime of carrying out leasing activity

- 1. The legal and economic regime for performance of investment activities provided for by the legislation of the Republic of Kazakhstan in the field of investment is extended to leasing activities carried out in accordance with this Law.
- 2. The list of leased items subject to the customs procedure of temporary admission and temporary export of goods established by the customs legislation of the Eurasian Economic Union and (or) the Republic of Kazakhstan is determined by the Government of the Republic of Kazakhstan.

Footnote. Article 25 as amended by the Laws of the Republic of Kazakhstan dated $10.03.2004 \, \mathbb{N}_{2} \, 532$; dated $30.06.2010 \, \mathbb{N}_{2} \, 297$ -IV (shall be enforced from 01.07.2010); dated $29.10.2015 \, \mathbb{N}_{2} \, 376$ -V (shall be enforced from 01.01.2016); dated $26.12.2017 \, \mathbb{N}_{2} \, 124$ -VI (shall be enforced dated 01.01.2018).

Article 25-1. Liability for breach of this Law

The breach of this Law shall entail liability, determined by the Laws of the Republic of Kazakhstan.

Footnote. Is supplemented by Article 25-1 by the Law of the Republic of Kazakhstan dated 10 March, 2004 № 532.

Article 26. Enforcement of this Law

This Law enters into force from the date of its publication.

The President of the Republic of Kazakhstan

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