

On Development of Cotton Industry

Invalidated Unofficial translation

The Law of the Republic of Kazakhstan dated 21 July, 2007 № 298. Expired by the Law of the Republic of Kazakhstan dated January 5, 2021 № 409-VI.

Unofficial translation

Footnote. Expired by the Law of the Republic of Kazakhstan dated January 5, 2021 № 409-VI.

Footnote. Throughout the text, changes were made in the Kazakh language, the text in Russian does not change in accordance with the Law of the Republic of Kazakhstan dated July 21, 2015 No. 336-V (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

This law determines the legal, institutional and economic framework for the development of the cotton industry and governs social relations arising in the process of production, procurement, purchase, processing, storage and sale of cotton in the Republic of Kazakhstan.

Footnote. Preamble as amended by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Chapter 1. General provisions

Article 1. Basic definitions used in the Law

The following basic definitions shall be used in the Law:

- 1) holder of mortgage certificate – individual or legal entity, being a pledge holder of cotton in the obligation, certified by mortgage certificate;
- 2) holder of warehouse certificate – owner of cotton, pawned, in the cases of commission of endorsement - endorser in the warehouse certificate;
- 3) lint – fibrous cover of seeds, being after separation of lint cotton from cotton seeds;
- 4) cotton - raw cotton, lint cotton, cotton seeds;
 - 4-1) cotton procurement organization - a legal entity that purchases and procures raw cotton;
- 5) owner of cotton – individual or legal entity, having a raw cotton and (or) lint cotton, and (or) cotton seeds of the right of ownership;
- 6) cotton collection point – specialized construction, intended for the reception, storage and distribution of raw cotton;

7) fund of guaranteeing of performance of obligations on cotton receipts – legal entity, carrying out its activity in order of ensuring of protection of rights and legal interests of holders of cotton receipts from nonperformance of obligations by the cotton processing organizations on cotton receipts, issued by them;

8) activity on rendering of services on warehouse activity with issuance of cotton receipts – an activity, carrying out by the cotton processing organizations on storage of raw cotton, storage, distribution of lint cotton and cotton seeds and primary consumption of raw cotton and lint cotton;

9) cotton receipt – double warehouse certificate, issued by the cotton processing organizations in support of acceptance of raw cotton for storage and (or) primary consumption; lint cotton and cotton seeds – for storage;

10) holder of cotton receipt – owner of cotton, transferred a raw cotton for the storage and (or) primary consumption to the cotton processing organization; lint cotton and cotton seeds – for the storage, in the cases of commission of endorsement - endorser in the cotton receipt;

11) cotton market participants - natural and legal persons engaged in the production, procurement, purchase of raw cotton, its primary processing into cotton fiber and the sale of cotton;

12) monitoring of cotton market – a set of measures, directed to the collection, consumption and data analysis of cotton market, including production, consumption, storage and sales of cotton, carrying out by the participants of cotton market;

13) quality of cotton - a set of consumer properties of cotton, which determine compliance with the requirements of documents on standardization;

14) cotton processing organization - a legal entity owning a cotton ginning plant that provides services for primary processing of raw cotton and warehousing operations against cotton receipts;

15) an authorized body in the field of development of cotton industry (hereinafter – an authorized body) – central executive body, determined by the Government of the Republic of Kazakhstan, carrying out the state regulation of cotton industry;

16) a cotton gin plant – specialized construction, intended for the primary consumption of raw cotton to the lint cotton;

17) a lint cotton – basic product, obtained upon primary consumption of raw cotton ;

18) cotton fiber bale - a certain amount of cotton fiber pressed in a special way, obtained as a result of primary processing of raw cotton into cotton fiber, in compliance with the requirements of technical regulations and documents on standardization;

19) expertise of quality of lint cotton - set of measures, directed to the establishment and approval of actual quality level of lint cotton, including selection and testing of the sample, drawing-up of the passport of quality of lint cotton;

20) Certificate of quality of cotton fiber - a document certifying actual indicators of quality of cotton fiber and their compliance with the requirements of documents on standardization and (or) contracts;;

21) cotton seeds – fruit of cotton plant, received upon primary consumption of raw cotton;

22) cotton planting – an industry of crop growing on production of cotton;

23) specialized cotton crop rotation - scientifically based rotation of cotton plant with other agricultural plants, preventing to the accumulation of diseases and blasts, contributing to the conservation and improvement of ground-water fertility, increase in productivity and quality of raw cotton, wherein the share of cotton plant in the structure of planted area in the territory of land-utilization of one agricultural goods producers shall consist not more than seventy percent;

24) an agreement of consumption – a standard contract on primary consumption of raw cotton to the lint cotton;

25) storage agreement – a standard contract of storage of raw cotton;

26) excluded by the Law of the Republic of Kazakhstan dated 28.10.2019 No. 268-VI (shall be enforced upon the expiration of a month after its first official publication);

27) raw cotton – a lint with unseparated seeds;

27-1) procurement of raw cotton - a set of services provided by a cotton procurement organization and (or) cotton processing organization, which include the acceptance, storage and delivery of raw cotton;

28) primary consumption of raw cotton to the lint cotton – a complex of technological operations on cleaning of raw cotton to the lint cotton, seeds, lint, fibrous waste (motes containing and fluff containing);

29) examination of the quality of raw cotton – a set of measures, directed to the establishment and approval of actual quality level of raw cotton, including selection and testing of the sample, execution of certificate of the quality of raw cotton;

30) offals of raw cotton – seeds, lint, fibrous waste (motes containing and fluff containing);

31) storage of raw cotton - acceptance of raw cotton for storage and (or) primary processing against cotton receipts;

32) production of raw cotton – a complex of agro technological measures, directed to the cultivation of raw cotton;

33) purchase of raw cotton - purchase of raw cotton by concluding a contractual agreement, according to which agricultural producers, engaged in cotton production,

sell raw cotton to cotton procurement and (or) cotton processing organizations that purchase such products at the price and under the terms specified in the contract.

Footnote. Article 1 is in the wording of the Law of the Republic of Kazakhstan dated 15.07.2011 № 461-IV (shall be enforced from 30.01.2012); as amended by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-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 the expiration of six months after the day of its first official publication); dated 28.10.2019 No. 268-VI (shall be enforced upon expiry of six months after its first official publication).

Article 2. The legislation of the Republic of Kazakhstan on development of cotton industry

1. The legislation of the Republic of Kazakhstan on development of cotton industry is based on the Constitution of the Republic of Kazakhstan and consist of this Law 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 contained in this Law, the rules of international treaty shall be applied.

Footnote. Article 2 as amended by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Chapter 2. The state regulation of cotton industry

Article 3: Purpose of state regulation of the cotton industry

The goals of state regulation of the cotton industry are to develop and improve the competitiveness of the domestic cotton industry through the introduction of scientifically sound innovative technologies, technical regulation, standardization and industrialization of cotton growing, its integration with the textile and food industries, regulation of relations between participants in the cotton market.

Footnote. Article 3 of the Law of the Republic of Kazakhstan dated 05.10.2018 № 184-VI (shall be enforced upon the expiration of six months after the day of its first official publication).

Article 3-1. Main directions and principles of state regulation of the cotton industry

1. Main directions of state regulation of the cotton industry are as follows:

- 1) improvement of the competitiveness of the domestic cotton industry;
- 2) formation of an efficiently functioning cotton market, which ensures the increase of profitability of its participants and the development of this market's infrastructure;
- 3) state support for cotton market participants;
- 4) creation of a favorable investment climate and increase of investments in the cotton industry;

5) development of science and innovative activity in the cotton industry, improvement of the system of education, training and retraining of personnel for the cotton market;

6) protection of economic interests of domestic participants of the cotton market in domestic and foreign markets.

2. State regulation of the cotton industry is based on the following principles:

1) transparency, accessibility and targeting of state support for cotton market participants;

2) ecological safety of the conducted activities;

3) the consistency and effectiveness of state regulation measures;

4) cooperation with the National Chamber of Entrepreneurs, and also with the unions (associations) of cotton market participants.

Footnote. Chapter 2 is supplemented by Article 3-1 in accordance with the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 4. Forms of the state regulation of cotton industry

The state regulation of cotton industry shall be carried out by:

1) the state support of development of cotton industry;

2) development of the system of guaranteeing of performance of obligations on cotton receipts;

3) stimulation of integration of cotton industry and textile and food industry in recognition of principles of cluster development;

4) licensing of an activity on warehousing services against cotton receipts;

4-1) state control over the activity of cotton procurement and cotton processing organizations;

5) technical regulation;

6) compliance by accredited testing laboratories (centers) with the rules for examining the quality of raw cotton and issuing a certificate of the quality of raw cotton, (sample) certificate of the quality of raw cotton and (sample) certificate of quality of cotton fiber, as well as the rules for conducting quality examination cotton fiber and the issuance of a cotton fiber quality passport;

7) monitoring of cotton market;

8) monitoring of compliance with agricultural goods producers of specialized cotton crop rotation in the zones of cultivation of cotton plant;

9) issuance of regulatory legal acts in the field of development of cotton industry.

Footnote. Article 4 as amended by the Law of the republic of Kazakhstan dated 15.07.2011 № 461-IV (shall be enforced from 30.01.2012); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication) ; dated 24.05.2018 № 156-VI (shall be enforced upon the expiration of ten

calendar days after the day of its first official publication); dated 28.10.2019 No. 268-VI (shall be enforced upon expiry of six months after its first official publication).

Article 5. The state support of development of cotton industry

The state support of development of cotton industry shall be carried out on the following directions:

1) formation and implementation of stimulating investment, tax, fiscal and customs policy;

2) management, at the expense of budget funds, of such events as:

formation of state cotton seed reserves used for seed purposes;

scientific researches and events in the field of production, storage and processing of cotton, selection and seed-growing, preservation and increase of the fertility of soils;

introduction of scientifically proven technologies for the production of raw cotton and specialized cotton crop rotations;

melioration and irrigation works;

systematic observation and recording of the appearance, growth and spread of pests, crop diseases, quarantine weeds and introduction of innovative biological and other methods of combating them;

training of specialists for the cotton industry and textile industry as provided for by the state educational order;

subsidizing agricultural producers involved in cotton production, in accordance with the legislation of the Republic of Kazakhstan;

3) appropriation of funds to the specialized organizations for the supply of leasing activities of plant and equipment to the producers of cotton and cotton processing organizations;

4) issue of seed loans to the producers of raw cotton from the state resources of cotton seeds;

5) is excluded by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication);

6) development of seed production, as well as compensation for expenses of production of original cotton seeds, ensuring cheapening of the cost of elite seeds, seeds of first and second reproduction of cotton plant, implementing by domestic agricultural goods producers, determination of graded and sowing qualities of seeds of cotton plant;

7) organization of the system of crediting of participants of cotton market;

7-1) organization and development of a risk insurance system for cotton market participants;

8) insurance of sowings of cotton plant in accordance with the legislation of the Republic of Kazakhstan;

9) promotion of the rational use of water resources, introduction of water-saving technology, creation and establishment of agricultural cooperatives and their associations (unions).

Footnote. Article 5 as amended by the Law of the Republic of Kazakhstan dated 11.12.2009 No. 229-IV (the order of enforcement see Article 2); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication); dated 29.10.2015 № 373-V (shall be enforced from 01.01.2016); dated 28.10.2019 No. 268-VI (the order of enforcement see Art. 2).

Article 5-1. Information support for cotton market participants

1. The authorized body and local executive bodies of a region, city of republican significance and the capital implementing the state policy of the cotton industry development, in due time and on a regular basis, post and update information and materials, affecting the interests of cotton market participants, on their Internet resources in the Kazakh and Russian languages.

2. Information subject to mandatory posting and updating on Internet resources includes:

1) regulatory legal acts establishing the procedure for the implementation of state support for the cotton industry development;

2) the amount of customs duties, the volume of tariff quotas and the procedure for their application, the volume of cotton imports and exports;

3) the forecast and actual indicators of cotton production in the Republic of Kazakhstan;

4) other information required by the authorized body and local executive bodies of a region, city of republican significance and the capital implementing the state policy of the cotton industry development.

3. The information specified in paragraph 2 of this article shall be provided free of charge and access to it shall be on equal terms.

Footnote. Chapter 2 is supplemented by Article 5-1 in accordance with the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 6. Competence of the Government of the Republic of Kazakhstan

The competence of the Government of the Republic of Kazakhstan shall include:

1) development of basic directions of the state policy in the field of development of cotton industry, strategic and tactical measures on its implementation;

2) *Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239 -V (shall be enforced upon expiry of ten calendar days after its first official publication);*

3) *Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication);*

3-1) *Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication);*

4) *Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication);*

5) *excluded by the Law of the Republic of Kazakhstan dated 28.10.2019 No. 268-VI (shall be enforced upon the expiration of six months after the day of its first official publication);*

6) *Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication);*

7) *Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication);*

8) carrying of cooperation and interaction with international organizations on issues of development of cotton industry;

9) *Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication);*

10) performing other functions, imposed on it by the Constitution, the Laws of the Republic of Kazakhstan and acts of the President of the Republic of Kazakhstan.

Footnote. Article 6 as amended by the Laws of the Republic of Kazakhstan dated 11.12.2009 No. 229-IV (the order of enforcement see Article 2); dated 05.07.2011 No. 452-IV (shall be enforced from 13.10.2011); dated 15.07.2011 No. 461-IV (shall be enforced from 30.01.2012); dated 10.07.2012 No. 36-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 28.10.2019 No. 268-VI (shall be enforced upon expiry of six months after its first official publication).

Article 7. Competence of the authorized body

Competence of the authorized body shall include:

1) ensuring of formation and implementation of the state policy in the field of development of cotton industry;

1-1) coordination and methodological guidance of the activity of local executive bodies in the field of the cotton industry development;

1-2) coordination and regulation of the activity of cotton market participants;
2) *Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239 -V (shall be enforced upon expiry of ten calendar days after its first official publication)*;

3) development of rules of conducting of monitoring of cotton market;

4) development and approval of the form (sample) and description of cotton receipt

;

5) development of projects of qualifying requirement to:

the activity on rendering of services on warehouse activity with issuance of cotton receipts;

accredited testing laboratories (centers) in agreement with the authorized state body for technical regulation;

6) development of:

procedure of conducting of expertize of quality of raw cotton and issuance of certificate on the quality of raw cotton;

form (sample) of certificate on the quality of raw cotton;

form (sample) of passport of the quality of lint cotton;

7) Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239 -V (shall be enforced upon expiry of ten calendar days after its first official publication);

8) Is excluded by the Law of the Republic of Kazakhstan dated 13.06.2013 No. 102 -V (shall be enforced upon expiry of ten calendar days after its first official publication).

9) Is excluded by the Law of the Republic of Kazakhstan dated 13.06.2013 No. 102 -V (shall be enforced upon expiry of ten calendar days after its first official publication).

10) Is excluded by the Law of the Republic of Kazakhstan dated 13.06.2013 No. 102-V (shall be enforced upon expiry of ten calendar days after its first official publication).

11) Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication);

12) Is excluded by the Law of the Republic of Kazakhstan dated 13.06.2013 No. 102-V (shall be enforced upon expiry of ten calendar days after its first official publication).

13) Is excluded by the Law of the Republic of Kazakhstan dated 13.06.2013 No. 102-V (shall be enforced upon expiry of ten calendar days after its first official publication).

14) preparation and introduction in the order established by the legislation of the Republic of Kazakhstan of proposals for the development of technical regulations in the authorized body in the field of technical regulation, as well as consideration of draft documents on standardization within the competence and preparation of proposals for the development, modification, revision and cancellation of national, interstate standards, national classifiers of technical and economic information and recommendations for standardization for submission to the authorized body in the field of;

15) development and approval of provision on the state inspector in the cotton industry;

16) development of the list and forms of accounting documents, terms of presentation of accounts on issues of compliance with the qualifying requirements to the activity on rendering of services on warehouse activity with issuance of cotton receipts;

17) development of standard forms of agreements of storage and consumption;

18) development of projects of:

rules of execution of an examination of quality of lint cotton and issuance of passport of quality of lint cotton;

rules of activity and liquidation of funds of guarantee of performance of obligations on cotton receipts;

rules of participation of cotton processing organizations in the system of guarantee of performance of obligations on cotton receipts;

rules of receipt of guarantees of funds of guarantee of performance of obligations on cotton receipts;

rules of liquidation of obligations by the funds of guarantee of performance of obligations on cotton receipts;

rules for subsidizing agricultural producers engaged in cotton production, and also the cost of quality control of raw cotton and cotton fiber in accordance with the legislation of the Republic of Kazakhstan;

rules of maintaining of quantitative and qualitative records of cotton;

rules of formation, storage and use of the state resources of cotton seeds;

rules of organization of technical process of primary consumption of raw cotton and lint cotton;

rules of issuance, circulation, cancellation and maturity of cotton receipts;

rules of conducting of temporary management of cotton processing organization;

19) Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication);

20) Is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No.

239-V (shall be enforced upon expiry of ten calendar days after its first official publication);

21) is excluded by the Law of the Republic of Kazakhstan dated 29.12.2014 № 269 -V (shall be enforced from 01.01.2015);

21-1) development and approval of technical regulations in the field of development of the cotton industry;

21-2) excluded by the Law of the Republic of Kazakhstan dated 28.10.2019 No. 268-VI (shall be enforced upon the expiration of six months after the day of its first official publication);

22) exercise of other powers, provided by this Law, other Laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

Footnote. Article 7 as amended by the Laws of the Republic of Kazakhstan dated 17.07.2009 № 188 (the order of enforcement see Article 2); dated 11.12.2009 №. 229-IV (the order of enforcement see Article 2); dated 19.03.2010 No. 258-IV; dated 06.01.2011 № 378-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2011 No. 452-IV (shall be enforced from 13.10.2011); dated 15.07.2011 № 461-IV (shall be enforced from 30.01.2012); dated 10.07.2012 № 36-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 13.06.2013 № 102-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 29.09.2014 №. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 29.12.2014 № 269-V (shall be enforced from 01.01.2015); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication); dated 24.05.2018 № 156-VI (shall be enforced upon the expiration of ten calendar days after the date of its first official publication); dated 05.10.2018 № 184-VI (shall be enforced upon the expiration of six months after the date of its first official publication) ; dated 28.10.2019 No. 268-VI (shall be enforced from 01.01.2020); dated 28.10. 2019 No. 268-VI (shall be enforced upon expiry of six months after its first official publication); dated 28.10.2019 No. 268-VI (the order of enforcement see Art. 2).

Article 8. Competence of local executive bodies of regions, cities of republican significance and the capital

Competence of local executive bodies of regions, cities of republican significance and the capital shall include:

- 1) implementation of the state policy in the field of development of cotton industry;
- 2) licensing of activity on rendering of services on warehouse activity with issuance of cotton receipts;
- 3) participation in conducting of monitoring of cotton market in accordance with the rules, approved by the authorized body;

4) monitoring of observance by the agricultural goods producers of specialized cotton crop rotations in the zones of cultivation of cotton plant;

4-1) subsidizing of agricultural producers engaged in cotton production in accordance with the legislation of the Republic of Kazakhstan;

5) Licensing control over cotton processing organizations, including registration of certificates of inspection of cotton processing organizations;

6) Introduction of proposals to the authorized body on improvement of normative legal acts in the field of development of cotton branch, and also consideration of draft documents on standardization within the limits of competence and preparation of proposals on working out, modification, revision, cancellation of national, interstate standards, national classifiers of the technical and economic information and recommendations on standardization for entering to the authorized body in the field of standardization;

6-1) filing of an application to a court for the introduction, early termination and extension of the interim administration of a cotton processing organization;

7) suspension of a license for the right to carry out an activity on warehousing services against cotton receipts, as well as commencement of the revocation of a license for warehousing services against cotton receipts in accordance with the legislation of the Republic of Kazakhstan on administrative offences;

8) is excluded by the Law of the Republic of Kazakhstan dated 28.10.2019 No. 268 -VI (shall be enforced from 01.01.2020);

8-1) taking of measures to timely meet the demands for fuels and lubricants of agricultural producers engaged in cotton production;

9) control of:

security and quality of cotton;

activity of accredited test laboratories (centers);

activity of expert organization;

observance of rules of execution of an examination of quality of lint cotton and issuance of passport of quality of lint cotton by the expert organization;

10) carrying out of inspection (verification) of activity of cotton processing organizations;

11) issuance of binding written prescriptions on elimination of detected violations of the legislation of the Republic of Kazakhstan on development of cotton industry according to the terms, established in the prescription;

12) commencement of action in a court on compulsory liquidation of cotton processing organization;

13) imposition of a temporary prohibition on sale of cotton upon availability of grounds, provided by paragraph 2 of Article 32 of this Law;

14) control of observance of rules by the cotton processing organizations:

maintenance of quantitative and qualitative records of cotton;
formation, storage and use of the state resources of cotton seeds;
issuance, application, cancellation and repayment of cotton receipts;
14-1) approval of semi-annual plans of conduct of verifications;

14-2) is excluded by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication);

14-3) ensuring the formation and management of cotton seeds by the state resources and control of their quantitative and qualitative state;

14-4) is excluded by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication);

14-5) is excluded by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication);

15) exercise of other powers, imposed on local executive bodies by the legislation of the Republic of Kazakhstan in the interests of local state management.

Footnote. Article 8 is in the wording of the Law of the Republic of Kazakhstan dated 13.06.2013 No. 102-V (shall be enforced upon expiry of ten calendar days after its first official publication); as amended by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication); dated 24.05.2018 № 156-VI (shall be enforced upon the expiration of ten calendar days after the day of its first official publication); dated 05.10.2018 № 184-VI (shall be enforced upon the expiration of six months after the day of its first official publication); dated 28.10.2019 No. 268-VI (shall be enforced from 01.01.2020).

Chapter 3. The state control in the field of security and quality of cotton

Footnote. The title of chapter 3 is in the wording of the Law of the Republic of Kazakhstan dated 17.07.2009 No. 188 (the order of enforcement see Article 2).

Article 9. The state control in the field of security and quality of cotton

1. The state control in the field of security and quality of cotton shall be carried out by the local executive bodies of regions, cities of republican significance and the capital within the competence and directed to the enforcement of requirements of the legislation of the Republic of Kazakhstan, presenting to the security and quality of the cotton.

2. The state control in the field of security of cotton shall be carried out in order of non-admission of risk, related to the causing of harm to life, human health, environment, as well as plant and animal life.

3. The state control in the field of quality of cotton shall include:

1) control over determining the quality indicators of cotton in the course of its purchasing, procuring, processing and also its sale in order to protect the interests of cotton owners pursuant to official applications (complaints) of cotton market participants;

2) control of quantitative and qualitative state of stored and processed cotton in order of protection of interests of owners of cotton on the basis of official applications (complaints) of participants of cotton market.

4. State control in the field of safety and quality of cotton is carried out in the form of inspection and preventive control in accordance with the Entrepreneurial Code of the Republic of Kazakhstan.

5. Excluded by the Law of the Republic of Kazakhstan dated 24.05.2018 № 156-VI (shall be enforced upon the expiration of ten calendar days after the day of its first official publication).

Footnote. Article 9 is in the wording of the Law of the Republic of Kazakhstan dated 17.07.2009 № 188 (the order of enforcement see Article 2); as amended by the Laws of the Republic of Kazakhstan dated 19.03.2010 № 258-IV; dated 06.01.2011 No . 378-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 05.07.2011 No. 452-IV (shall be enforced from 13.10.2011); dated 13.06.2013 № 102-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 29.09.2014 № 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication); dated 29.10.2015 № 376-V (shall be enforced from 01.01.2016); dated 24.05.2018 № 156-VI (shall be enforced upon expiration of ten calendar days after the day of its first official publication)

Article 10. Examination of the quality of raw cotton

1. Examination of the quality of raw cotton shall be carried out by testing laboratories (centers) accredited in the manner, established by the legislation of the Republic of Kazakhstan, in accordance with paragraph two of subparagraph 6) of Article 7 of this Law.

If a cotton owner and cotton procurement and (or) cotton processing organizations disagree on the quality of raw cotton, a document confirming the quality of raw cotton shall be the raw cotton quality certificate issued by an appropriate testing laboratory (center).

2. Participant of cotton market shall have a right to apply to the accredited test laboratory (center) for execution of an examination of the quality of raw cotton on a contractual basis.

3. Excluded by the Law of the Republic of Kazakhstan dated 10.28.2019 No. 268-VI (shall be enforced upon the expiration of a month after its first official publication).

Footnote. Article 10 as amended by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication); dated 28.10.2019 No. 268-VI (the order of enforcement see Art. 2).

Article 11. Examination of the quality of lint cotton

Examination of the quality of cotton fiber is carried out by testing laboratories (centers), accredited in the manner prescribed by the legislation of the Republic of Kazakhstan, in accordance with the second paragraph of subparagraph 18) of Article 7 of this Law.

Examination of the quality of cotton fiber is carried out by accredited testing laboratories (centers) for each bale of cotton fiber (per batch) on a contractual basis.

Footnote. Article 11 as amended by the Law of the Republic of Kazakhstan dated October 28, 2019 No. 268-VI (shall be enforced upon the expiry of six months after the day of its first official publication).

Chapter 4. The activity of agricultural producers engaged in cotton production, cotton procurement and cotton processing organizations

Footnote. Title of Chapter 4 in the new wording of the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 12. Rights and obligations of agricultural goods producers, engaged in production of cotton

1. Agricultural goods producers, engaged in production of cotton shall have a right to:

1) cultivate a raw cotton on plots of land, provided in accordance with the land legislation of the Republic of Kazakhstan;

2) possess, use and manage their cotton at their own convenience;

3) obtain the state support of development of cotton industry;

4) have other rights in accordance with the Laws of the Republic of Kazakhstan.

2. Agricultural goods producers, engaged in production of cotton, shall be obliged to:

1) carry out production of cotton by the methods, ensuring reproduction of fertility of lands of agricultural designation, as well as excluding or limiting of harmful effect of such activity to the environment;

2) incur other obligations in accordance with the Laws of the Republic of Kazakhstan.

Article 12-1. Cotton procurement organization

1. In accordance with the requirements established by regulatory legal acts, technical regulations and documents on standardization, the procuring organization carries out the purchase and procurement of raw cotton.

2. A cotton procurement organization must have:

a fenced cotton reception base;

open (covered) area to warehouse and store raw cotton;

weighing equipment;

ventilation equipment;

laboratory equipment for sampling and determination of the quality of raw cotton;

loading and unloading mechanisms;

fire-fighting equipment.

3. A cotton procurement organization is obliged to register and keep documents in accordance with the established list of the rules for conducting quantitative and qualitative cotton accounting approved by the authorized body.

4. A cotton procurement organization is obliged to provide information on its activity required for cotton market monitoring, at the written request of the local executive body of a region, city of republican significance and the capital.

5. A cotton procurement organization may not issue cotton receipts.

Footnote. Chapter 4 is supplemented by Article 12-1 in accordance with the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication); with the change introduced by the Law of the Republic of Kazakhstan dated 05.10.2018 № 184-VI (shall be enforced upon the expiration of six months after the day of its first official publication).

Article 12-2. Cooperation in the cotton industry

1. Agricultural producers engaged in cotton production may set up legal entities that carry out their activity in the agro-industrial complex in accordance with the legislation of the Republic of Kazakhstan for the purpose of developing cotton production, ensuring joint actions with cotton procurement and cotton processing organizations.

2. Subsidies for the support of agricultural producers engaged in cotton production are paid, at the choice of agricultural producers, either directly to them or through legal entities established by them.

Footnote. Chapter 4 is supplemented by Article 12-2 in accordance with the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 13. Cotton processing organization

1. Cotton processing organization shall render the service on warehouse activity with issuance of cotton receipts on the basis of license.

A legal entity without a license to perform an activity on warehousing services against cotton receipts (except for a cotton procurement organization) may not use the words “cotton processing organization”, “cotton ginning plant”, “cotton reception base” or words derived from them in its name, trademarks, documents, classifieds and advertisements.

2. Cotton processing organization shall be recognized as commodity warehouse of general use.

3. Cotton processing organization shall have:

1) on the cotton gin plant:

at least one cotton collection point;

equipment, intended to the carrying out of technological operations on a primary consumption of raw cotton to the lint cotton;

weighing equipment;

ventilation equipment;

cargo handling equipment;

firefighting equipment;

engineering and manufacturing laboratory for determination of quality of cotton;

specially designated space for the storage of cotton;

2) on the cotton collection point, located outside of the location of the cotton gin plant:

open (covered) area for warehousing and storage of raw cotton;

weighing equipment;

ventilation equipment;

laboratory equipment for selection of tests and evaluation of quality of raw cotton;

cargo handling equipment;

firefighting equipment;

Territory of cotton gin plant, as well as cotton collection point, located outside of the location of the cotton gin plant, shall be fenced.

4. Cotton processing organization shall be obliged to:

1) to comply with the conditions of acceptance and storage of cotton and to ensure the provision of services in warehouse activities with the issuance of cotton receipts in accordance with the requirements established by regulatory legal acts, technical regulations and documents on standardization;

2) ensure quantitative and quality security of accepted for the storage and (or) consumption of cotton in accordance with issued of cotton receipts;

3) sale the stored cotton at the request of holder of cotton receipt in exchange for cotton receipt in accordance with conditions of storage agreement and (or) consumption in the absence of debts for the rendering services;

4) provide selection of tests of cotton for the verification of its quality at the request of holder of cotton;

5) meet obligations before the holders of cotton, provided by the storage agreement and (or) agreement of consumption.

Footnote. Article 13 as amended by the Law of the Republic of Kazakhstan dated 15.07.2011 № 461-IV (shall be enforced from 30.01.2012); dated 21.07.2015 № 336-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 the expiration of six months after the day of its first official publication).

Article 14. Payment for services of cotton processing organization

Payment for services of cotton processing organization shall be carried out in accordance with the storage agreement and (or) agreement of consumption by money or transfer of appropriate amount of cotton of cotton processing organization with commission of endorsement on a cotton receipt by the holder of cotton.

Article 15. Restriction of activity of cotton processing organization

1. Is excluded by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

2. A cotton processing organization is prohibited from alienating fixed assets, without which the provision of the activity on warehousing services against cotton receipts becomes completely impossible or significantly worsens, as well as from issuing warrants and (or) pledging its property to secure the loans of third parties.

3. Cotton processing organizations shall be prohibited to dispose cotton, putting in storage and (or) consumption.

Footnote. Article 15 as amended by the Laws of the Republic of Kazakhstan dated 30.06.2010 No. 297-IV (shall be enforced from 01.07.2010); dated 15.07.2011 No. 461-IV (shall be enforced from 30.01.2012); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 16. Recording and accounting of cotton processing organization

1. Cotton processing organization shall be obliged to ensure strict recording and storage of documents, reflecting operations with cotton, made by it.

2. The list and forms of accounting documents, the timing of reporting on the compliance with requirements to an activity on warehousing services against cotton receipts, monitoring of the cotton market, approved by the authorized body.

2-1. Departmental statistical observations shall be conducted by the authorized body in accordance with the statistical methodology, approved by the authorized body in the field of the state statistics.

3. The list of the documents, subject to the storage, the terms of their storage shall be established by the rules of maintenance of quantitative and quality recording of cotton.

3-1. A cotton processing organization is obliged to ensure separate accounting of transactions related to the provision of warehousing services against cotton receipts and transactions not related to the provision of warehousing services against cotton receipts.

4. A cotton processing organization is obliged to provide information related to its activity required for the cotton market monitoring at the written request of the local executive body of a region, city of republican significance and the capital.

Footnote. Article 16 as amended by the Laws of the Republic of Kazakhstan dated 19.03.2010 No. 258-IV; dated 05.07.2011 No. 452-IV (shall be enforced from 13.10.2011); dated 15.07.2011 No. 461-IV (shall be enforced from 30.01.2012); dated 29.09.2014 № 239-V (shall be enforced upon expiry of ten calendar days after the day its first official publication); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 17. The system of guaranteeing the fulfillment of obligations for cotton receipts

1. A cotton processing organization is obliged to ensure the fulfillment of its obligations to cotton receipt holders by participating in the system of guaranteeing the fulfillment of obligations for cotton receipts.

2. The participation of a cotton processing organization in the system of guaranteeing the fulfillment of obligations for cotton receipts is based on a contract of participation concluded with a fund guaranteeing the fulfillment of obligations for cotton receipts.

3. Funds guaranteeing the fulfillment of obligations for cotton receipts bear subsidiary responsibility for the obligations of their participants in accordance with the legislation of the Republic of Kazakhstan.

4. In the case of the loss or deterioration of the quality of raw cotton and (or) cotton fiber, accepted for storage by a cotton processing organization participating in the system of guaranteeing the fulfillment of obligations for cotton receipts, a fund guaranteeing the fulfillment of obligations for cotton receipts repays the obligations of this cotton processing organization to cotton receipt holders in cash in the amount equal to at least eighty percent of the current market value of cotton and/or cotton fiber, which quality was lost or deteriorated.

The procedure for establishing the fact of the loss or deterioration of the quality of raw cotton and (or) cotton fiber is determined by the authorized body.

The fund for guaranteeing the fulfillment of obligations for cotton receipts, that repaid the obligations of a cotton processing organization participating in the system of guaranteeing the fulfillment of obligations for cotton receipts to a cotton receipt holder, receives the right of claim, up to the amount paid by it, that a cotton receipt holder has to this cotton processing organization.

Cotton processing organizations participating in the system of guaranteeing the fulfillment of obligations for cotton receipts are obliged to submit a register of cotton receipts to a fund for guaranteeing the fulfillment of obligations for cotton receipts in order to guarantee the fulfillment of obligations for cotton receipts.

5. Cotton processing organizations participating in the system of guaranteeing the fulfillment of obligations for cotton receipts may insure (mutually insure) their property and other property interests according to the procedure established by the legislation of the Republic of Kazakhstan.

Footnote. Article 17 in the new wording of the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 18. An audit of cotton processing organization

1. Cotton processing organization shall be obliged to conduct an audit of annual financial accountability in accordance with the legislation of the Republic of Kazakhstan.

2. If the cotton processing organization is avoided from conduct of an audit, an audit may be appointed by the decision of the court at the suit of any interested person.

3. Implementation of an audit of internal audit service of cotton processing organization shall not release from their responsibility of conduct of an audit.

Article 19. Peculiarities of alienation (acquisition) of property of cotton processing organization

1. Cotton gin plant shall be indivisible property and alienated (acquired) as indivisible property, except for the cases:

1) alienation (acquisition) of cotton collection point, located outside of the location of the cotton gin plant;

2) termination of activity on rendering of services on warehouse activity with issuance of cotton receipts and absence of outstanding obligations before the holders of cotton receipts, approved by the state inspector of cotton industry;

3) realization of property upon liquidation of cotton organization.

2. Cotton processing organization shall be obliged to inform in a written form the holders of cotton receipts, known to it, on alienation of property, not later than two months up to alienation of cotton gin plant or cotton collection point, located outside of

the location of the cotton gin plant, as well as to place the relevant announcement in the republican periodical print publications on the state and Russian languages.

3. Transactions on sale of cotton gin plant or cotton collection point, located outside of the location of the cotton gin plant, made by the cotton processing organization with violation of paragraphs 1 and 2 of this Article, may be recognized by court as invalid at the suit of holders of cotton receipts and other interested persons.

4. The fulfillment of obligations arising from cotton receipts issued by the former owner of a cotton ginning plant (a cotton reception base located outside the cotton ginning plant) is assigned to the acquirer of the cotton ginning plant (the cotton reception base located outside the cotton ginning plant) or a person who received such property in the furtherance of a court decision or arbitration award up to the amount determined by the inventory report of cotton remains, which is drawn up by a commission for the acceptance and transfer of property and approved by a state inspector of the cotton industry.

In the case, if the inventory report of residues of cotton is not drawn up, performance of obligations of all cotton receipts, issued by the cotton processing organization – former owner of property:

1) shall be imposed on the new owner of this cotton gin plant upon alienation of cotton gin plant;

2) shall be carried out by the former owner of this cotton collection point upon alienation of cotton collection point, located outside of the location of the cotton gin plant.

5. New owner of cotton gin plant and (or) cotton collection point, located outside of the location of the cotton gin plant, shall carry out consumption and storage of cotton, received by the inventory report of residues of cotton, under conditions of consumption agreement, previously concluded between former owner and holder of cotton, before the expiry of the term of effect of such agreement.

6. Alienation of the property of a cotton processing organization, that is a dominant market player, as well as the acquisition of the property of a cotton processing organization by a person holding a dominant position in the market, is subject to the requirements established by the legislation of the Republic of Kazakhstan in the field of competition protection.

Footnote. Article 19 as amended by the Laws of the Republic of Kazakhstan dated 15.07.2011 No. 461-IV (shall be enforced from 30.01.2012); dated 13.06.2013 No. 102-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 29.10.2015 № 376-V (shall be enforced from 01.01.2016); dated 08.04.2016 № 489-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Chapter 5. Cotton receipt

Article 20. Cotton receipt

1. Cotton processing organization shall issue a cotton receipt on the basis of storage agreement and (or) consumption agreement.

2. Cotton receipt shall consist of two parts: warehouse certificate from mortgage certificate, which if necessary may be separated from one another. Cotton receipt and each of its parts shall be the order non-emission securities.

3. Each of the parts of cotton receipt shall contain the following compulsory requisites:

1) code of cotton processing organization, assigned by the licensor;

2) current number of cotton receipt on register of cotton receipts;

3) series and number of blank cotton receipt;

4) name, location and business identification number of cotton processing organization, received a cotton;

5) *shall be considered to have lost force by the Law of the Republic of Kazakhstan dated 24.12.2012 No. 60-V (shall be enforced from 01.01.2013);*

5-1) information about the owner of cotton: surname, name, patronymic (in its existence) of individual or name of legal entity, place of residence of individual or location of legal entity; identification number;

6) requisites of documents, certifying graded and sowing qualities of seeds;

7) qualitative and quantitative indices of cotton;

8) storage area of cotton: location of cotton gin plant and (or) cotton collection point, located outside of the location of the cotton gin plant;

9) period of storage and (or) consumption of raw cotton, period of storage of cotton seeds and lint cotton;

10) requisites (number and date of compilation) of storage agreement and (or) agreement of consumption;

11) a mark on participation of cotton processing organization in the fund of guaranteeing of performance of obligations on cotton receipts;

12) the date of issue of cotton receipt;

13) signature of authorized body and seal of cotton processing organization;

14) name of relevant part of cotton receipt;

15) a mark on payment for storage.

4. A document, inconsistent with requirements, established by paragraph 3 of this Article, shall not be a cotton receipt.

5. Upon separation of mortgage certificate from warehouse certificate, a mark, containing the following information, shall be made on the warehouse certificate:

- 1) surname, name, patronymic (in its existence) and place of residence of endorser - in relation of individual; name and location of endorser - in relation of legal entity;
- 2) a subject, amount of obligation, secured by pledge, including rate of remuneration on it, deadline for the fulfilment of the obligation;
- 3) signature of endorser;
- 4) the date of separation of mortgage certificate.

6. Upon separation of mortgage certificate from warehouse certificate, a mark, containing the following information, shall be made on the mortgage certificate:

- 1) surname, name, patronymic (in its existence) and place of residence of endorser - in relation of individual; name and location of endorser - in relation of legal entity;
- 2) a subject, amount of obligation, secured by pledge, including rate of remuneration on it, deadline for the fulfilment of the obligation;
- 3) signature of endorser;
- 4) the date of separation of mortgage certificate.

7. Cotton processing organization shall be obliged to present to the authorized body a card with surname, name, patronymic (in its existence) of individuals, authorized to sign the cotton receipts, samples of signatures, as well as a sample of seal impression, bringing on a cotton receipt.

8. Inconsistency of signs, seal impression on a cotton receipt to the samples of signatures and seal impressions, specified in a card, presenting to the authorized body, shall be a ground for recognition of this cotton receipt as invalid.

Footnote. Article 20 as amended by the Law of the Republic of Kazakhstan dated 24.12.2012 No. 60-V (the order of enforcement see Article 2); dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 21. Procedure of issuance of cotton receipt

1. A cotton receipt shall be issued for each batch of homogeneous on the quality of cotton. Number of issued of cotton receipts for the total volume of delivered cotton shall be determined by the owner of cotton on its application.

Cotton processing organization shall issue a cotton receipt after batching on term not later than three calendar days from the date of filing of an application.

2. Cotton receipts shall be issued to the owner of cotton with registration and under its signature in the register of cotton receipts, which is maintained by the cotton organization in chronological order.

3. New cotton receipts shall be issued at the request of holders of cotton receipts according to the procedure, established by the legislation of the Republic of Kazakhstan, in the cases of:

- 1) absence of white space for endorsing on a cotton receipt;
- 2) physical depreciation of cotton receipt;

3) exchange of cotton receipt;

4) loss of cotton receipt.

4. Is excluded by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Footnote. Article 21 as amended by the Law of the Republic of Kazakhstan dated 11.12.2009 No. 229-IV (the order of enforcement see Article 2); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 22. Transfer of rights on cotton receipt and its parts

1. Rights on cotton receipts and its parts shall be transferred by commission on it indorsements – endorsement.

2. Transfer of rights on unseparated cotton receipt shall be carried out by commission of endorsement only on a warehouse certificate.

3. Separation of mortgage certificate from warehouse certificate shall be carried out upon pledge of cotton in accordance with paragraphs 5 and 6 of Article 20 of this Law.

Article 23. Rights of holders of cotton receipt and its parts

1. Holder of cotton receipt shall have a right to disposition of cotton in a full volume, stored on cotton gin plant (cotton collection point) of cotton processing organization.

2. Holder of warehouse certificate, containing details on pledge, shall have a right to dispose of cotton, specified in a cotton receipt, but not have a right of demand of issuance of cotton up to cancellation of debt on mortgage certificate according to the procedure, established by the legislation of the Republic of Kazakhstan.

3. Holder of mortgage certificate shall have a right to:

1) require from holder of warehouse certificate, separated a mortgage certificate from warehouse, performance of obligations, certified by the mortgage certificate;

2) transfer a mortgage certificate and a right on it to the third persons;

3) enforce a pledge in the case of non-performance of obligation, certified by the mortgage certificate in accordance with the legislation of the Republic of Kazakhstan.

Article 24. Sale of cotton

1. Sale of cotton shall be carried out at the request of holder of cotton receipt in exchange for originals of warehouse and mortgage certificates, which are subject to cancelation.

Sale of implemented cotton shall be carried out at the request of its acquirer in exchange for the document on the results of markets in accordance with Article 26 of this Law.

2. Holder of cotton receipt shall have a right to require sale of cotton by parts. Upon that a new cotton receipt on a residuary volume of cotton shall be issued in exchange for the primary cotton receipt.

3. For the demand of cotton, a holder of cotton receipt shall be obliged to arrive himself (herself) or send an authorized representative, acting by virtue of powers, based on a power of attorney, the legislation of the Republic of Kazakhstan, decision of a court or administrative act.

4. Sale of cotton at the request of holder of warehouse certificate, containing details on pledge, shall be carried out according to the procedure, determined by the authorized body.

Article 25. Procedure of exercise of rights on mortgage certificate

1. Holder of mortgage certificate shall have a right to levy execution upon cotton, specified in a mortgage certificate, only in the case of non-performance or improper performance of obligations, secured by pledge.

2. In the case of early performance of obligations, secured by mortgage certificate, holder of mortgage certificate shall be obliged to return a mortgage certificate with a mark on termination of a pledge to the known holder of warehouse certificate or cotton processing organization for cancellation.

3. If at the moment of levy of execution the cotton was in demand by holder of warehouse certificate, cotton processing organization shall represent a document, approving ensuring performance of obligation, specified in a mortgage certificate, to the holder of mortgage certificate.

After satisfaction of requirements on a document, approving ensuring performance of obligation, specified in a mortgage certificate, holder of mortgage certificate shall return a mortgage certificate with a mark on termination of a pledge for cancellation.

Article 26. Sale of pledge cotton

1. Sale of pledge cotton shall be carried out in the case of non-performance or improper performance of obligations, certified by the mortgage certificate, authorized person of holder of mortgage certificate.

An authorized person of holder of mortgage certificate shall inform a pledger on nonperformance of obligations, certified by the mortgage certificate, in a written form, simultaneously publish an announcement on holding tenders in the mass media, including information on time, venue, subject of an auction, procedure for the conduct, formulation of participation in tenders and on basic price of pledge cotton.

Tenders shall be held not earlier than fourteen calendar days from the date of publication of announcement on holding tenders in the mass media.

2. The amount, realized from the sale of cotton, shall be distributed in the following sequence: in the first place the expenses, related with organization and holding tenders, are covered, then the compensations are paid to the cotton processing organization on

warehouse activity with issuance of cotton receipt, hereinafter the requirements of holder of mortgage certificate are satisfied, remaining portion shall be returned to the holder of warehouse certificate in exchange for the original of warehouse certificate.

3. Requirements of each turn shall be satisfied after complete satisfaction of requirements of previous order.

Footnote. Article 26 as amended by the Law of the Republic of Kazakhstan dated 15.07.2011 No. 461-IV (shall be enforced from 30.01.2012).

Article 27. Loss of cotton receipt or its parts

1. In the case of loss of cotton receipt or its parts (warehouse or mortgage certificate), a person, lost a cotton receipt or appropriate certificate, shall be obliged to immediately inform on it a cotton processing organization in a written form.

In the case of loss of warehouse certificate, containing details on pledge, a person, lost a warehouse certificate, shall be obliged to immediately inform on it a holder of mortgage certificate, specified in the warehouse certificate in a written form.

2. Restoration of rights on lost cotton receipt or its parts (warehouse or mortgage certificate) shall be carried out by a court.

Chapter 6. State control over the activity of cotton procurement and cotton processing organizations

Footnote. Title of Chapter 6 in the new wording of the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 28. Inspecting (checking) the activity of cotton procurement and cotton processing organizations

1. In order to regulate the cotton market and protect the interests of cotton owners pursuant to official applications (complaints) of cotton market participants, the local executive body of a region, city of republican significance and the capital, independently and (or) with the involvement of relevant interested state bodies, as well as a state inspector of the cotton industry, inspect (check) the activity of cotton procurement and cotton processing organizations for their compliance with the requirements established by the legislation of the Republic of Kazakhstan.

2. Cotton procurement and cotton processing organizations are obliged to assist the persons specified in paragraph 1 of this article in tackling the issues specified in their inspecting (checking) assignment, to provide access to all production facilities in the premises of a cotton ginning plant and cotton reception bases, as well as to all sources containing information required for inspecting (checking).

3. Officials inspecting (checking) cotton procurement and cotton processing organizations are liable in accordance with the laws of the Republic of Kazakhstan for

the disclosure of information constituting commercial and other secret protected by law, which was obtained during the inspection (check) of cotton procurement and cotton processing organizations.

Footnote. Article 28 in the new wording of the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 29. The state inspector of cotton industry

Footnote. The title of Article 29 is in the wording of the Law of the republic of Kazakhstan dated 13.06.2013 No. 102-V (shall be enforced upon expiry of ten calendar days after its first official publication).

1. Upon exercise of their powers, the state inspector of cotton industry shall have a right to:

1) carry out verification of security and quality of cotton in accordance with Article 9 of this Law;

2) excluded by the Law of the Republic of Kazakhstan dated 24.05.2018 № 156-VI (shall be enforced upon the expiration of ten calendar days after the day of its first official publication);

2) make proposals on suspension of action and (or) termination of a license for the right to carrying out of activity on rendering of services on warehouse activity with issuance of cotton receipts.

2. Akims of regions, city of republican significance and the capital shall have a right to assign additional special name “the state inspector of cotton industry” to the relevant positions of administrative state services according to the procedure, established by the legislation of the Republic of Kazakhstan.

Footnote. Article 29 as amended by the Laws of the Republic of Kazakhstan dated 15.07.2011 № 461-IV (shall be enforced from 30.01.2012); dated 13.06.2013 № 102-V (shall be enforced upon expiry of ten calendar days after its first official publication); ; dated 24.05.2018 № 156-VI (shall be enforced upon the expiration of ten calendar days after the day of its first official publication).

Article 30. Enforcement actions against cotton procurement and cotton processing organizations

If, as a result of inspections (checks), violations are discovered in the activity of a cotton procurement or cotton processing organization, the local executive body of a region, city of republican significance and the capital is entitled to apply the following enforcement actions against this cotton procurement or cotton processing organization:

1) issuance of written binding instructions for elimination of the revealed violations of the legislation of the Republic of Kazakhstan on the cotton industry development within the time limits prescribed by the instructions;

2) filing to a court of an application for the introduction of interim administration of a cotton processing organization on the grounds provided for by article 32 of this Law;

3) suspension of a license for an activity on warehousing services against cotton receipts, as well as commencement of the revocation of a license for the activity on warehousing services against cotton receipts in accordance with the legislation of the Republic of Kazakhstan on administrative offences.

A cotton procurement or cotton processing organization, which received a written instruction from the local executive body of a region, city of republican significance and the capital, is entitled to appeal against it according to the procedure established by the legislation of the Republic of Kazakhstan.

Footnote. Article 30 in the new wording of the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 31. Suspension, termination of a license for the right to carrying out of activity on rendering of services on warehouse activity with issuance of cotton receipt

Footnote. The title of Article 31 as amended by the Law of the Republic of Kazakhstan dated 15.07.2011 No. 461-IV (shall be enforced from 30.01.2012).

Suspension, termination of a license for the right to carrying out of activity on rendering of services on warehouse of activity with issuance of cotton receipts shall be carried out according to the procedure, provided by the legislation of the Republic of Kazakhstan on administrative infractions.

Footnote. Article 31 as amended by the Law of the Republic of Kazakhstan dated 15.07.2011 No. 461-IV (shall be enforced from 30.01.2012).

Chapter 7. Temporary management of cotton processing organization

Article 32. Temporary management of cotton processing organization

1. Temporary management of cotton processing organization shall represent compulsory conducting of complex of administrative, juridical, financial, organizational and technical and other measures and procedures, directed to restoration of ability of cotton processing organization to meet obligations on cotton receipt.

2. For making decision on introduction of temporary management is enough at least one of the following grounds:

1) systematic (two or more times during the six subsequent calendar months) improper performance of contractual obligations on primary consumption of raw cotton to the lint cotton, expressed in the refusal to issue a cotton on the first request of holder of cotton receipt according to the procedure, provided by Article 24 of this Law;

2) detection of facts of excess of the amount of cotton, ensured by the cotton receipts, over actual number of stored cotton.

3. Condition of introduction of temporary management on the grounds, provided by paragraph 3 of this Article shall be the act of detected violations, composed in the result of inspection (verification) of activity of cotton processing organization, carrying out in accordance with this Law.

Grounds for conducting of inspection (verification) of activity of cotton processing organization by the authorized body shall be:

1) excluded by the Law of the Republic of Kazakhstan dated 24.05.2018 № 156-VI (shall be enforced upon the expiration of ten calendar days after the day of its first official publication);

2) check-out schedule;

3) official application (complaints) of holders of cotton receipts on two and more facts of refusal in issuance of cotton.

4. Temporary introduction shall not be maintained in the cases of implementation in relation of cotton processing organization, procedure of external observation.

5. The term of temporary management by the cotton processing organization may not be more than six months.

6. Temporary management by the cotton processing organization shall be carried out by the commission on temporary management and temporary administration.

7. Temporary management by the cotton processing organization shall be carried out at the expense of the funds of cotton processing organization.

8. For the damage, caused by the illegal actions to the cotton processing organization in the period of temporary management, members of commission on temporary management, members of temporary administration shall bear responsibility in accordance with the Laws of the Republic of Kazakhstan.

Footnote. Article 32 as amended by the Law of the Republic of Kazakhstan dated 29.09.2014 № 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.05.2018 № 156-VI (shall be enforced upon the expiration of ten calendar days after the day of its first official publication).

Article 33. Introduction of temporary management by the cotton processing organization

Footnote. Article 33 is excluded by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 34. Commission on temporary management

1. An interim administration commission is formed by the local executive body of a region, city of republican significance and the capital from among representatives of the authorized body or its territorial subdivision, the local executive body of the region,

city of republican significance and the capital, cotton receipt holders and a fund guaranteeing the fulfillment of obligations for cotton receipts, with which the cotton processing organization concluded a contract of participation.

The total number of members of an interim administration commission must be odd and at least seven people.

2. The competence of commission on temporary management shall include:

- 1) approval of composition of temporary administration;
- 2) approval of the report of temporary administration on the results of activity;
- 3) control of activity of temporary administration;
- 4) exercise the functions of temporary administration in accordance with Article 35 of this Law until approval of its composition.

3. Not later than two working days from the date of entry into legal force of a court decision on the introduction of interim administration, an interim administration commission shall send to the bank, servicing the cotton processing organization, a written notification of the introduction of interim administration and the names of appointed interim administrators, as well as a new card with the specimen signatures of the interim administration officials to enable their performance of banking operations (the card submitted before the appointment of the interim administration is subject to cancellation).

4. Decision of commission on temporary management shall be adopted by the majority of votes and shall be compulsory for execution of temporary administration.

5. Commission on temporary management shall have a right to:

1) give recommendations of temporary administration on the basic directions of its activity in the period of temporary management by the cotton processing organization;

2) require provision of information on its activity and activity of cotton processing organization from the temporary administration in accordance with the legislation of the Republic of Kazakhstan;

3) contribute suggestions to the authorized body on early termination of temporary management of cotton processing organization or extension of term of temporary management by the cotton processing organization.

Footnote. Article 34 as amended by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 35. Temporary administration

1. The interim administration is a collegial body that includes representatives of cotton receipt holders, the authorized body or its territorial subdivision, the local executive body of a region, city of republican significance and the capital, a cotton processing organization, a fund guaranteeing the fulfillment of obligations for cotton

receipts, with which the cotton processing organization concluded a contract of participation.

The interim administration is appointed by an interim administration commission. During the interim administration period, members of the interim administration may not be concurrently members of the interim administration commission.

2. Commission on temporary management shall organize holding of meeting of holders of cotton receipts for election of representatives to the composition of temporary administration. Upon that, the holders of cotton receipts, having a maximum volume of cotton, stored in the cotton gin plant (cotton collection point) of this cotton processing organization shall possess a priority right to be elected to the composition of temporary administration.

3. In the case of nonpresentation of candidates to the composition of temporary administration from the holders of cotton receipts and (or) cotton processing organization, commission on temporary management shall have a right to independently approve the composition of temporary administration, upon that a member of temporary administration from the holders of cotton receipts shall be determined one of the persons, having a maximum amount of cotton in storage.

4. Upon making decisions, the votes of members of temporary administration shall be distributed in the following manner:

- 1) holders of cotton receipts – twenty five percent;
- 2) cotton processing organization - twenty five percent;
- 3) an authorized body - twenty five percent;
- 4) fund of guaranteeing of performance of obligations on cotton receipts - twenty five percent.

5. In the period of operation of temporary management of cotton processing organization, management of cotton processing organization shall be carried out by the temporary organization.

All transactions on behalf and at the expense of a cotton processing organization after introduction of the interim administration are committed by an official of the interim administration authorized to sign documents and perform banking operations in coordination with other members of the interim administration.

In the period of operation of temporary management, execution of decisions of incorporators (shareholders, participants) and other management bodies of cotton processing organization, concerning increase of obligations of cotton processing organization, use or alienation of property of cotton processing organization, and other decisions, execution of which effect of may effect to the execution of obligations by the cotton processing organization on issued cotton receipts shall be suspended.

6. Temporary administration shall have a right to:

1) independently make decisions on all issues of activity of cotton processing organization, including adoption of relevant acts, within the competence, determined by this Law;

2) suspend satisfaction of all requirements, subsequent from cotton receipts, in the amount up to fifty percent of the cotton volume, specified in it, for the period of temporary management;

3) conclude agreements and sign the documents, directed to the restoration of obligations of cotton processing organization on received amount of cotton;

4) carry out representation on behalf of and in the interests of cotton processing organization, as well as in a court;

5) on behalf of cotton receipt holders, submit to a fund guaranteeing the fulfillment of obligations for cotton receipts claims for the repayment of debt obligations arising from cotton receipts issued by this cotton processing organization in the manner and under the terms specified by paragraph 4 of article 17 of this Law;

6) engage independent experts for assessment of financial and economic activity of cotton processing organization.

7. Temporary administration shall be obliged as a matter of priority to:

1) carry out an analysis of financial status of cotton processing organization on the following directions: capital adequacy, asset analysis, analysis of incomes and expenditures;

2) make an inventory of property of cotton processing organization and its obligations, as well as inventory of stored cotton of this cotton processing organization in the cotton gin plant (cotton collection point);

3) determine the credit debts of cotton processing organization, including a debt to the holders of cotton receipts;

4) take measures on collection of overdue accounts receivable, including preparation and bringing of actions in court;

5) determine organizational structure and staff numbers of cotton processing organization;

6) present a card with surnames, names and patronymics (in its existence) of persons, authorized to sign the cotton receipts, samples of their signatures to the authorized body;

7) is excluded by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication);

8) provide information on actual state of the cotton processing organization and contribute suggestions on improvement of economic activity of this cotton processing organization to the commission on temporary management.

8. Making decisions on temporary administration on alienation of property of cotton processing organization, including transfer of property in a pledge, property lease shall not be allowed.

Footnote. Article 35 as amended by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 36. Termination of interim administration of a cotton processing organization

1. Interim administration of a cotton processing organization shall be terminated:

1) after the expiration of the interim administration period established by a court decision;

2) if a court makes a ruling on early termination of the interim administration.

2. Interim administration is terminated early in case of:

1) a cotton processing organization's recovery of its ability to fulfill obligations for the issued cotton receipts;

2) full satisfaction of all claims of cotton receipt holders filed during the interim administration, provided that there are no circumstances hindering the proper fulfillment of claims of other cotton receipt holders.

A ground for a court to make a decision on early termination of the interim administration is a proposal of the interim administration commission, adopted on the basis of the interim administration's certificate of the existence of grounds for early termination of the interim administration.

3. The termination of interim administration of a cotton processing organization (including early termination), due to elimination of the causes that entailed its introduction, results in the lifting of all restrictions with respect to this cotton processing organization.

3-1. Within two working days from the day of termination of the interim administration of a cotton processing organization, the interim administration commission sends a written notification to the bank servicing the cotton processing organization of the termination of interim administration (the card with the specimen signatures of the interim administrators is subject to cancellation).

4. If the interim administration of a cotton processing organization did not result in the recovery of its ability to fulfill obligations for cotton receipts, the local executive body of a region, city of republican significance and the capital commences the filing of a statement of claim to court for involuntary liquidation of this cotton processing organization.

Footnote. Article 36 in the new wording of the Law of the Republic of Kazakhstan dated 29.09.2014 № 239-V (shall be enforced upon expiry of ten calendar days after

the day its first official publication); as amended by the Law of the Republic of Kazakhstan dated 21.07.2015 № 336-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Chapter 8. Liquidation and procedure of satisfaction of requirements of creditors of cotton processing organization, liquidated compulsorily

Article 37. The grounds for liquidation of cotton processing organization

Cotton processing organization may be liquidated on the decision of:

1) owner of its property or authorized owner of the body, as well as by the decision of the body of legal entity, authorized to it by the constitutional documents on any ground (voluntary liquidation), upon that a notification is directed to the authorized body;

2) court (compulsory liquidation).

Footnote. Article 37 as amended by the Law of the Republic of Kazakhstan dated 29.09.2014 No. 239-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 38. Grounds for compulsory liquidation of cotton processing organization

Compulsory liquidation of cotton processing organization shall be conducted by the court in the cases of:

1) bankruptcy;

2) recognition of invalid registration of cotton processing organization in connection with violations of the legislation of the Republic of Kazakhstan, admitted in its creation, which bear a non-eliminated character;

3) systematic carrying out of activity, contradicted to the charter purposes of cotton processing organization;

4) carrying out of activity without a license for the right to carrying out of activity on rendering of services on warehouse activity with issuance of cotton receipts or carrying out of activity, prohibited by this Law, or carrying out of activity with recurring violations or a gross violation of the legislation of the Republic of Kazakhstan, as well as nonpresentation of declaration on corporate income tax (on total annual income and made deductions) or summary declaration upon expiration of one year after the date of presentation, established by the law, absence of cotton processing organization on location or actual address, as well as incorporators (participants) and civil servants, without which the cotton processing organization may not function during one year;

5) if the temporary management by the cotton processing organization did not lead to restoration of ability to meet obligations on cotton receipts.

Footnote. Article 38 as amended by the Law of the Republic of Kazakhstan dated 15.07.2011 No. 461-IV (shall be enforced from 30.01.2012).

Article 39. Peculiarities of formation of property mass

Upon bankruptcy, liquidation of cotton processing organization to the composition of property, at the expense of which satisfaction of requirements of creditors of cotton processing organization are conducted, as well as the cotton is included to the property mass of cotton processing organization, accepted for storage and (or) primary processing.

Footnote. Article 39 is in the wording of the Law of the Republic of Kazakhstan dated 07.03.2014 No. 177-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 40. Priority of satisfaction of requirements of creditors of cotton processing organization, liquidated compulsorily

1. Requirements of creditors, compulsory liquidated cotton processing organization, as well as in connection with its bankruptcy, recognized in accordance with the established procedure, shall be satisfied in the following priority order:

1) principally requirements of citizens, prior to whom, the liquidated cotton processing organization bears responsibility for causing of harm to the life or health, by capitalization of relevant payments due over time shall be satisfied;

Note RCLI!

Subparagraph 2) provides for a change in the Law of the Republic of Kazakhstan dated 02.08.2015 № 342-V (shall be enforced dated 01.01.2020).

2) secondarily the calculations on payment for labour with persons, worked on personal performance agreement, arrears of alimony payments and compulsory pension contributions, deducted from salary, as well as compensations on copyright agreements shall be made;

3) on a third-priority basis the requirements of holders of cotton receipts, containing information on pledge; future requirements of the fund of guaranteeing of performance of obligations on cotton receipts on disbursed payments in connection with extinction of obligations on cotton receipts shall be satisfied;

4) on a fourth-priority basis the requirements of holders of cotton receipts, not containing information on pledge shall be satisfied;

5) on a fifth-priority basis the requirements of creditors on obligations, secured by pledge of property, liquidated cotton processing organization, within the amount of maintenance, shall be satisfied;

6) on a sixth-priority basis the tax debt and other compulsory payments to the budget shall be paid;

7) in a seventh-priority basis the calculations with other creditors shall be made in accordance with the Laws of the Republic of Kazakhstan.

2. Expenditures, related with the liquidated production, as well as on ensuring of activity of liquidated commission of cotton processing organization, as well as the

expenditures, subsequent upon necessity to ensure the basic functions of liquidated cotton processing organization, shall be incurred out of turn and permanently.

Tax liabilities, arising in the period of liquidation of cotton processing organization, shall be satisfied from time to time according to the terms and procedure, which are established by the tax legislation of the Republic of Kazakhstan.

Chapter 9. Final provisions

Article 41. Responsibility for violation of the legislation of the Republic of Kazakhstan on development of cotton industry

Violation of requirements of the legislation of the Republic of Kazakhstan on development of cotton industry shall entail responsibility, established by the Laws of the Republic of Kazakhstan.

Article 42. Procedure of enforcement of this Law

This Law shall be enforced upon expiry of ten calendar days after its first official publication

The President

of the Republic of Kazakhstan