



NATIONAL BANK OF KAZAKHSTAN

PUBLIC INFORMATION NOTICE

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Announcement on the project of the issue of short-term notes of the National Bank of Kazakhstan on the basis of "blockchain" technology

The National Bank is completing the development of a new technology - **a mobile application for the population to conduct transactions for the purchase and sale of securities on the basis of "blockchain."** The pilot project involves the use of **short-term notes of the National Bank.**

The proposed project will allow citizens to buy and sell the notes of the National Bank online from a mobile phone, bypassing intermediaries, namely brokers and dealers. No taxes and no commissions. Absolute liquidity and no restrictions on the periods of ownership. The nominal value of one note will be defined in the amount of 100 tenge, which will allow even small savings for investment to be used.

Currently, the system is undergoing the internal testing. It is planned that the product will be launched in the second half of 2017.

In the long run, these solutions can be used for the issue of other securities, for instance, for IPO among the population. Deals will be settled directly without the participation of intermediaries and executed in real time remotely.

"Blockchain" technology will be used for the accounting of executed deals and for ensuring the safety and inalterability of information on transactions.

With the implementation of this system, the National Bank of Kazakhstan will carry out two completely new functions: **selling short-term notes directly to the public and issuance of electronic money.**

Under the project, the purchase or sale of short-term notes will be carried out remotely without the need of a personal visit of a financial institution by a physical entity. Transactions will be settled with the use of electronic money.

To buy short-term notes, one will only need to register in the system through the mobile or web-application, purchase electronic money through the application services (paying with a payment card or cash through payment terminals) and conduct the transactions for the purchase of securities. Selling securities would also be easily possible at any time through the mobile or web application, with the receipt of accrued interest (income).

"Blockchain" technology, which is used to create the system, is based on the distributed storage of reliable records. Each operation with short-term notes will be stored as a transaction that has its own identifier and formation algorithm. All transactions will form a special transaction block.

Moreover, during the implementation of the project, a comprehensive resolution concerning the application of Kazakhstan's legislation, including in the field of the securities market, payments and payment systems, as well as countering money laundering and terrorist financing, was required.

Due to the fact that the project involves the relationship on transactions with securities and the turnover of electronic and real money, it is necessary to comply with complex procedures of **verifying customer identification** in accordance with the legislation on combating money laundering. As a result of long-term work, the optimal and fastest methods of remote identification with taking into account the requirements of the legislation were determined.

The search of additional solutions in this field will be continued, involving also the second-tier banks in the project.

The results of carried work will be periodically covered by the National Bank of Kazakhstan.

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