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September 25, 2009

His Excellency Bolat Zhamishev
Minister of Finance
The Republic of Kazakhstan
Ministry of Finance
Pobeda Avenue, 11
Astana, Kazakhstan

Dear Minister:

Thank you for the opportunity to meet with you and His Excellency Ambassador Idrissov in New York City on September 22. I appreciate your taking the time to speak with BAFT about recent developments in the Kazakh banking sector regarding the honouring of trade finance obligations.

Many BAFT member banks have been very active in assisting Kazakh corporates and banks in their international development. Indeed, BAFT member banks viewed Kazakhstan as a strong and promising economy. Unfortunately, the recent news that trade finance could be subject to significant discounting in the proposed bank restructuring in the Kazakh banking sector is quite troubling. If the restructuring ultimately includes the discounting of trade finance, this would be a decision unprecedented in the global markets for a bank with overall systemic national importance.

We strongly believe that any decision should follow well-established international practices regarding the disposition of trade-related transactions. Discounting repayment of these obligations could have negative implications for future business in the Kazakh banking sector. The extension of short-term trade finance is an essential factor for engaging in international trade which, in turn, drives a country's economic growth. Given the recent news, a large number of international banks could cancel trade facilities which could take many years to be reinstated. Restrictions on future types of trade structures that are made available may result. This could significantly increase the cost of any facilities that are eventually made available.

As BAFT has emphasized in letters to both President Nazarbayev and Prime Minister Massimov, other countries and banks have continued to prioritise the repayment of short-term trade finance obligations as they fall due, even in the midst of stress situations. This has greatly assisted their ability to secure new facilities earlier in the cycle and at a lower cost.

Failure by a bank to pay its trade obligations in full could lead to business disruption and increased cost of trade. This, in turn, could affect inflation and growth potential, exacerbating the current crisis. We continue to urge the government of Kazakhstan to ensure that prior international practice is followed and that all necessary measures

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are taken to ensure the full and timely repayment by Kazakh banks of trade finance obligations.

Very truly yours,



Donna K. Alexander
President

cc:

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