



The Central Securities Depository: Plans and Outlook

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Central Securities Depository JSC
(the Republic of Kazakhstan)

Strengthening and Stabilizing CSD Operations during Global Economic Turbulence

General Info: Central Securities Depository JSC

- Date of establishment: July 18, 1997
- Legal status: non-commercial organization
- It is a unique institution performing the depository activities at the territory of the Republic of Kazakhstan

Shareholders of the Central Securities Depository

| | |
|---|--------|
| The National Bank of the Republic of Kazakhstan | 54.98% |
| Kazakhstan Stock Exchange JSC | 34.69% |
| Second-tier banks | 7.01% |
| Brokerage companies | 3.32% |

Clients of the Central Security Depository

Nominal holders

Dealers

Clearing agencies and central counterparties

Issuers

Nominal holders' clients

The Central Securities Depository's Activities

Nominal holding of financial instruments

Paying agent for government and corporate securities

Assigning ISIN and other financial instruments identification codes

Maintaining the transaction register system with derivative financial instruments (trade repository)

Certain banking activities

General Info: The Integrated Securities Registrar JSC

- Initiation date: February 01, 2012
- Legal status: non-commercial organization
- It is a unique institution performing activities on maintaining securities holders register system at the territory of the Republic of Kazakhstan



БАҒАЛЫ ҚАҒАЗДАРДЫҢ БІРЫҢҒАЙ ТІРКЕУШІСІ
ЕДИНЫЙ РЕГИСТРАТОР ЦЕННЫХ БУМАГ
THE INTEGRATED SECURITIES REGISTRAR

Shareholders of the Integrated Securities Registrar

| | |
|--|--------|
| The National Bank of the Republic of Kazakhstan | 94.57% |
| Central Securities Depository JSC | 5.43% |

Functions of the Integrated Securities Registrar

Maintaining securities holders register system

Maintaining business partnerships register system



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Advantages of the Integrated Securities Registrar merging with the Central Securities Depository

- Expediting the registration process of transactions with financial instruments;
- Unification of the registration process of transactions with financial instruments;
- Transaction cost saving;
- Central recordkeeping of financial instruments; and
- Simplification of the supervisory procedures.



Statistics

(as of January 01, 2016)

| | The Central Securities Depository | The Integrated Securities Registrar | Upon merging |
|-----------------------------------|-----------------------------------|-------------------------------------|-------------------|
| Number of accounts | 105,506 | 2,291,558 | 2171% ↑ 2,397,064 |
| Number of registered transactions | 131,389 | 11,911 | 9% ↑ 143,300 |
| Number of issuers | 959 | 1,063 | 110% ↑ 2,022 |
| Number of issues | 927 | 2,012 | 217% ↑ 2,939 |
| Income (M KZT) | 216.73 | 179.58 | ? |

AIFC. Basic Standards

The Constitutional Law “On the Astana International Financial Centre” (December 2015) sets out:

1. Objective, goals and principles of the Centre and its regulating;
2. Bodies of the Centre;
3. Current Law of the Centre;
4. Tax treatment within the Centre;
5. Funding sources of the Centre’s bodies.



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AIFC Objectives

- Support is provided to lure foreign investments into economy of the Republic of Kazakhstan by creating of an attractive environment to invest financial services sector;
- Development of the securities market of the Republic of Kazakhstan ensuring its integration with the international capital markets;
- Promoting the insurance, banking services and Islamic Finance in the Republic of Kazakhstan;
- Enhancement of the financial and professional services based on the best international practices;
- Obtaining international recognition of being financial centre.

AIFC Bodies

Within the framework of the powers enacted by the Law and regulations of the Centre the bodies of the Centre are independent in their activities.

The Centre's bodies:

1. AIFC Management Council (established in December 2015);
2. AIFC Authority (founded in December 2015);
3. The Astana Financial Services Authority (to be established on January 01, 2017);
4. AIFC Courts (to be established on January 01, 2018).

AIFC Authority

- It was established in December 2015 by the National Bank of the Republic of Kazakhstan;
- AIFC Authority's Board of Directors was elected by the Order of the Ministry of Finance of the Republic of Kazakhstan No. 44 dated January 29, 2016;
 - AIFC Authority's Board of Directors structure is as follows:
 - Chairman of the Board of Directors;
 - Three members of the Board of Directors, two of which are independent members.
- Four number of members was determined by the Resolution of AIFC Authority's Board of Directors No. 1 dated February 15, 2016:
 - Chairman of the Management Board;
 - Deputy Chairman of the Management Board, member of the Management Board;
 - Two Managing Directors, members of the Management Board.

AIFC Other Standards

1. Existing Law of the Centre is based on the Constitution of the Republic of Kazakhstan and consists of:
 - 1) Law on AIFC;
 - 2) Bylaws of the Centre that can be relied on the principles, norms and legal authorities of the Law of England and Wales and (or) standards of leading international financial hubs;
 - 3) Present Law of the Republic of Kazakhstan subject to application in the part not regulated by the Law and bylaws of the Centre.
2. The Centre's tax regime specifies a certain tax list waiver until 2066.
3. The Centre's body funding sources are at the expense of the National Bank of the Republic of Kazakhstan.

Core Pillars of AIFC Development

- Encourage the issuers' entry to KASE (new financial instruments, commission fee reduction, compensation of a portion of expenses; escalation of transparency, and others);
- Attracting investors to KASE platforms due to promotion of a wider population financial outreach;
- Integration with the International Commodities Clearing Houses (Euroclear and Clearstream);
- Empowerment of the Central Securities Depository (independent transaction commitment on the behalf of or under the instructions of clients);
- Sound upgrading of the Central Securities Depository IT-Infrastructure.

AIFC Institutional Structure

- KASE is an integrated trade facility for all transactions associated with the capital market for AIFC participants;
- The Central Security Depository is an integrated depository for making transactions at AIFC participant security market;
- AIFC Courts is an independent court authority for the Centre's participants on the basis of English Law of practice;
- Rating agency is a self-regulating organization, AIFC main rating agency;
- Special Purpose Education Foundation established for professional development of AIFC participants, arranging trainings, courses, internships, and staff instruction.

Collaboration with the Security Market Participants

- Meetings with the security market participants and the Atameken National Chamber of Entrepreneurs of the Republic of Kazakhstan;
- Proposals of the participants:
 - defining AIFC legal framework and rules to be applied for AIFC development;
 - addressing the issue of precluding regulatory arbitrage;
 - clarifying data concerning AIFC plans on development of the insurance and banking services in the Republic of Kazakhstan;
 - updating information on AIFC participant accreditation terms;
 - expelling requirements on tightening bonds issue;
 - focusing regulatory amendments to the certificate deposits for issue of new type of fixed-term deposits on which premature cash withdrawal is impossible; and
 - other proposals.