

KAZAKHSTAN STOCK EXCHANGE

PRESS RELEASE

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Outcomes of Kazakhstan Stock Exchange III Annual Conference on the Financial Market

On September 4–5, 2009, in the "Kapriz" Recreation Center (the Kyrgyz Republic, on the Issyk-Kul Lake shore) has been held Kazakhstan Stock Exchange (KASE) III Annual Conference on the Financial Market.

KASE, CBonds-Kazakhstan LLP and Information Agency of Financial Markets IRBIS organized the conference.

About 80 representatives of Kazakhstan and Russian financial markets institutions, Kazakhstan government regulators and software developing organizations participated in the conference.

Commodity Exchange Eurasian Trading System JSC and Bright Vision LLP sponsored sections "Commodity and Futures Contacts Markets Development Perspectives in Kazakhstan" and "Innovations to Support Crisis Management: Information Technologies and Products".

The following Kazakhstan stock exchange status related problems were discussed at the conference:

- "How the stock market crisis management regulation must provide for (and if provides for) its future development?"
- "How regulators, the exchange and investors should respond to listed companies defaults?"
- "Whether given current conditions Kazakhstan stock market professional participants development is possible or the objective is just to survive?"
- "The Exchange commodity market in Kazakhstan: what has been done and what to wait?"
- "What IT decisions and new information products are expected by Kazakhstan market this year?"

In conclusion was held a round table meeting where the conference participants discussed KASE stock market settlements system development areas and perspectives and ways for solution of problems related to securities market price based valuation.

The KASE traditional conference main idea of this year is the constructive dialogue organization between the market participants and better understanding in the professional financial market community of regulatory crisis management measures. Thereupon, reports and discussions on possible stock market post-crisis development ways, KASE innovations, Kazakhstan commodity market development and new information products consistently continued the conversation related to Kazakhstan stock market future development.

Undertaken and planned **government crisis management measures** were presented at the conference by Head of Securities Market and New Financial Instruments Development Unit of Securities Market Participants and Accumulative Pension Funds Supervision Department of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (hereinafter – AFS) **K. Abzhanov**. In the report he emphasized the stock market global challenges during the crisis – the liquidity crisis, the significant decline in financial instruments value, the problem related to assets fair valuation and non-fulfillment of obligations by the financial market participants. K. Abzhanov briefly covered measures undertaken by AFS to solve mentioned problems. Participants most actively discussed AFS intentions to introduce the financial market officials fiduciary duty, transition from pro-cyclical to countercyclical approach when regulating financial organizations, and to raise the financial market participants transparency standards.

KASE Vice-president **A. Tsalyuk**, in his turn brought to the conference participants notice **the KASE doctrine main principles** concerning the market development through the crisis-proof regulation. The presentation of A. Tsalyuk contained the exchange innovations aimed at the repo transactions market reliability, settlements schemes and certain exchange trades execution aspects improvement.

Despite the large quantity of questions in the conference participants to AFS and KASE representatives on undertaken and planned crisis-proof innovations all in all covered at the session measures were recognized as adequate and facilitating the Kazakhstan stock market post crisis development.

At the session on **defaults** participants touched upon main debtors and creditors interaction related problems. The session moderator, KASE Vice-president **B. Babenov**, emphasized that in compliance with the legislation in the case of bankruptcy investors can not count on rapid reimbursement of their investments. Bondholders of issuers, whose assets are pledged in second-tier banks, faced this problem. In addition, during debates was discussed the issue that the lack in the legislation of the precise mechanism for disputes resolution between bonds holders and issuers may cause the discrimination of some bondholders when defining the restructuring terms. According to Kazakhstan professional participants on the market emerged the practice of direct negotiations of some bondholders with an issuer to define the best conditions for themselves rather than for all bondholders. It was also emphasized that the problem related to Kazakhstan defaulters assets control, 16 of which as of September 1, 2009 were KASE listed companies, has not yet been solved.

Cbonds.ru LLC Director General **S. Lyalin** (Russia) in his speech noted the situation similarity of defaults on the Kazakhstan financial market with the Russian corporate debts market. In Russia the lack of precise bankruptcy protection legal mechanisms resulted in the fact that some issuers consider a default as the way for their financial status improvement.

Among measures undertaken to protect investors interests, which invested to Kazakhstan defaulters debt securities, B. Babenov emphasized creation by AFS of the securities official list "buffer category" for such defaulters. This measure allows avoiding the immediate delisting of such issuers and thereby retaining the possibility of bondholders direct access to a company status related information. Specialist of Tengri Finance JSC Risk Analysis and Management Department **S. Baimakhanov** expressed opinions of working on Kazakhstan stock market financial advisors, who based on the implemented Kazakhstan real sector listed companies analysis came to the conclusion that the use of raised on the stock market money is of low efficiency. According to the analyst this ultimately caused companies insolvency.

In terms of financial markets post crisis development were considered researches of both Russian and Kazakh professionals specializing in the financial market investment and analytical areas. Chief Analyst of Investment Company Troika Dialogue **A. Tabakh** in his speech noted that despite some stabilization on the global financial markets, investors distrust level remains high. In his judgment only exclusive debtors will have an access to the investment capital in the nearest future.

Kazakhstan participants also expressed their opinions. Main Specialist of Investment Portfolio Management Department of Subsidiary of Joint Stock Company BTA Bank BTA Securities **D. Orazhev** noted that on the one hand significant problems in brokerage companies caused by securities turnover decline and clients money outflow, on the other hand existing in Kazakhstan high capacity of the private capital and individuals as the basis for further stock market development. Chairman of Unicorn IFC JSC Board **O. Em** noted doubtfulness of fundamentals of financial markets stabilization trend and emphasized coordinated monetary actions given remaining risks on the securitized assets market. In the forecast of the next global financial market crisis surge she denoted 2011 on which falls the peak load of real estate loans with free floating rate.

In this context the conference participants emphasized the increasing role of the government regulation and investments as transit measures in the period of the market crisis-proof regulation.

Concerning new initiatives on post crisis development at the conference was organized the session on commodity and futures markets development perspectives. Managing Director of Commodity Exchange Eurasian Trading System (ETS) **S. Madiev** shared development plans of the ETS futures market (deliverable and non-deliverable contracts), oil and metals spot market. Participants were interested in the information on creation of the ETS Clearing Center and this Center Guarantee Fund, and access of brokerage and dealer organizations to the ETS futures market.

In the session on new information technologies and products was considered the KASE Group (Kazakhstan Stock Exchange, eTrade.kz JSC and Information Agency of Financial Markets IRBIS) technological development, the new IRBIS information platform, presented by Director General of Information Agency of Financial Markets IRBIS **E. Mukhamedjanov**, and strong back office system of a financial organization developed by Bright Vision LLP.

At the round table meeting Deputy Chairman of Board of Joint Stock Commercial Bank National Clearing Center CJSC **A. Sarchev** (Russia) made the presentation on organization of clearing and settlements in the MICEX Group. Also, participants considered KASE plans on the clearing development in compliance with the Kazakhstan financial market peculiarities and assessed the complexity of concomitant objectives on securities valuation efficiency for the ensuring volume calculation and adaptation to new conditions of deals validation.

In general, according to organizers the conference was constructive. In participants judgment the reason of majority of problems is the securities low liquidity on the Kazakhstan market. This problem should be solved, first of all, through the new investor base creation, i.e. attraction of the country population to the market, which is possible given implemented by RFCA programs on improvement of retail investors financial literacy. The need in the administrative resource activation at entry of large government companies securities to the exchange and revision by the exchange of market-maker motivation also was emphasized.

Reference:

Kazakhstan Stock Exchange Annual Conference on the Financial Market under the mentioned title is implemented on the Issyk-Kul Lake shore for the third time (the first one was held in 2007).

In the KASE history this was the fifth conference organized by the exchange for the financial market professional participants. In 2007 it was decided to strengthen cooperation on the financial market development with all its participants and implement the conference annually. The conference is organized for professional interaction, including the market regulators. As a rule, organizers invite to the conference guests from other CIS countries to share with Kazakhstan colleagues lessons learned on the market creation, development and regulation.