

KAZAKHSTAN STOCK EXCHANGE

PRESS RELEASE

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KASE Second Annual Financial Market Conference Outcome

The KASE second annual financial market conference was held in Ak-Maral recreation center (Republic of Kyrgyzstan, Lake of Issyk-Kul) September 12–13, 2008.

The event was organized by KASE and MediaPort Information Resource that suggested participants discuss the following issues:

- innovations in regulation of financial markets of Kazakhstan, Russia and Kyrgyzstan;
- how, what and where to trade amidst falling stock market, limited liquidity and surging inflation;
- issues of issuers' financial statements audit quality;
- plans of Rating agency of Regional Financial Center of Almaty on development of the Kazakhstan market;
- organization of exchange commodity trading in Kazakhstan and study of relevant CIS experience.

Additionally, a part of the conference was dedicated to stock market software.

Approximately 100 representatives of CIS financial markets, Kazakhstan and Kyrgyzstan state agencies and software developing organizations took part in the event sponsored by Vernyi Capital, RESMI Finance and Investment House, BDO Kazakhstanaudit, Tethys Services Kazakhstan LLP, Astana-Finance.

Similarly to the previous KASE financial market conference (September 18–19, 2007, in Issyk-Kul – Aurora health resort) participants gave preference to interactive panel discussions of the program stated topics with optional further consideration of challenging topics at the final "round table".

The main idea of the conference said: "there are grounds for optimism, despite of difficulties, currently encountered by Kazakhstan financial, and especially, stock market under influence of domestic and global factors". Kazakhstan stock market reorganization triggered by a launch of the Regional Financial Center of Almaty (RFCA) project will be in fact at its end this year. Implementation of new listing requirements and restoration of stock market unity by means of legal and actual consolidation of the two KASE trading floors will allow professional participants and security issuers for concentrating on minimization of losses under restrictions of global financial crisis, using all advantages of innovations. What interferes with and what helps such situation development – was the subject for delegates to work on.

Naturally, **discussion of new listing requirements** aroused a huge interest among the audience. G. Kurganbaeva, the Director of Department of Development of the Agency of the Republic of Kazakhstan on Regulation of Activity of RFCA presented the results of correlation of new and former listing requirements. On the whole, professional participants agreed that the new requirements will facilitate further development of the Kazakhstan stock market and attract new young, efficient domestic companies, and foreign investors and issuers. At the same time the regulators were proposed to consider an opportunity of providing the issuers, whose security list category appeared substantially lowered as a result of the lists reclassification conducted by the Exchange with a longer term for bringing into compliance its indicators with the new listing requirements (for the time being such issuers had been provided with the term till December 1 this year). Participants took note that normative acts regulating new listing requirements on the part of ARA RFCA and AFS require more thorough harmonization as they contain differences, which may formally delay consolidation of the special trading floor of the Regional Financial Center of Almaty and the KASE main trading floor.

Within the frameworks of the conference participants of financial markets of Kazakhstan, Russia and Kyrgyzstan were familiarized with the concept and plans of the recently established in Kazakhstan **national rating agency** – Rating agency of Regional Financial Center of Almaty. In spite of professional participants of Kazakhstan financial market, and Russian and Kyrgyz colleagues having welcomed establishment of an institution so important for the republic, they supported AFS position, which so far finds it preferable to refrain from acknowledging of ratings of this agency in its normative acts due to its unreadiness for rigorous work and lack of experience in rating business.

The session on **establishment of Kazakhstan-based commodity exchange** went pretty lively. The main emphasis was made in regard of study of experience of Russian (Moscow Inter-bank Currency Exchange) and Uzbek (Uzbek Republican Commodity Exchange) colleagues, who delivered very interesting speeches. ARA RFCA Chairman performance on plans of regulators to organize exchange commodity trading in Kazakhstan was of a great interest as well. There are two areas to work on in this aspect. KASE trading floor will be used for organization of trade in futures, the underlying of which is gold and the remainder of trading in commodities and commodity futures is to be arranged on the floor of International Kazakhstan Agricultural Exchange (IKAE) after serious reorganization of this veteran of exchange movement in Kazakhstan.

IKAE General Director T. Dvorkina, who was acting as an expert at the conference, answered questions of participants of the forum and named it "a historic moment in the meeting of the commodity and stock exchanges on the market". The conference participants expressed their hopes that ARA RFCA will use experience of Russian and Uzbekistan colleagues.

During the debates **on quality of audit of Kazakhstan companies** KASE introduced its idea of establishment of a KASE based collegial market body, which should consist of representatives of KASE, Chamber of Auditors of the Republic of Kazakhstan, state bodies, and audit experts. In this connection it was suggested to once more discuss with the regulators current legislation norms, related to shaping of the list of auditing organizations for listing purposes.

Among the topics raised by conference participants within the frameworks of "the round table", the most violent was **discussion of Doszhan Temir Zholy (DTZ) default** on payment of infrastructure bonds regular coupon. The participants listened to the conclusion of the regulator in this regard and expressed their opinions on the way out.

An interesting idea, voiced during "the round table", was a proposal of the regulator to use **the availability of investment object in representative lists of stock indices** calculated on the most liquid global trading floors as a criterion of limits of investment of assets of Kazakhstan institutional investors.

On the whole, in the opinion of organizers, the conference was successful, and the objectives, set during its planning, were reached.

For reference:

Kazakhstan Stock Exchange Annual Conference under the indicated name was held at the Coast of Issyk-Kul River for the second time (initially in 2007).

In KASE history this is the fourth conference, organized by the exchange for professional participants of the stock market (the first was held in 1997 in Almaty, the second in 2005 at the Borovoe lake coast).

The decision to enhance cooperation in stock market development with all participants and hold a working conference on an annual basis was made in 2007. The conference is organized for purposes of professional communication, including, with market regulating bodies' representatives. For the conference, organizers always invite CIS guests able to share their experience in market establishment and regulation.

KASE is the only Kazakhstan exchange providing services for the financial market. This is a universal floor where trades in repo market instruments, foreign currencies (US dollar, euro, Russian ruble) government and corporate securities of Kazakhstan and foreign issuers, bonds of international financial organizations are held. KASE is an operator of the special trading floor of Almaty. KASE own capital equals to USD10 m. In 2007 KASE trade turnover totaled USD322.5 bn. As of September 2, 2008 KASE capitalization was estimated at USD67.2 bn. for share market, USD12.4 bn. for corporate bond market and USD9.4 m. for government securities of the Republic of Kazakhstan.