

KASE Is Set to Mark Its 30th Anniversary

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What are the trends you see shaping your exchange, market and the industry in 2023?

Last year was a turbulent one for Kazakhstan's capital markets, yet we managed to come out with strong growth in market turnover across all segments of \$571 billion. This was an increase of 40% over 2021. Despite the negative economic factors prevailing in Kazakhstan in 2022 due to the Russian-Ukrainian conflict, the sanctions regime introduced against the Russian Federation, the withdrawal of trading of Russian securities from all markets and declining bond and stock markets, in Kazakhstan we had significant growth in the state securities market, money market operations and FX trading. At the beginning of the year, we had a sluggish market in terms of corporate-bond issuance and trading in securities, but by the end of the year, the issuance of corporate debt surpassed 2021 volumes and reached \$3.2 billion. One of the remarkable achievements in 2022 was the fully domestic IPO of KazMunayGas JSC (national oil and gas holding), which was completed in December.

We expect high inflation and interest rates in our market this year, affecting the issuance of corporate debt, but we also see the new privatisation of state shares in a number of national companies.

We expect international stock markets to bounce back and we will see the return of emerging-market investors. That should positively affect investment in state securities and support the trading of local shares.

With the sanctions on Russia and our close economic links with the Russian Federation, we are seeing growth in FX volumes in the ruble – tenge pair, and we expect this trend to continue through 2023.

So, overall, this should be a year in which we will see an increase in trading volumes.

A very important trend for Kazakhstan's capital markets is the increasing growth of retail participation in capital markets. In 2022 alone, the growth in retail-investor accounts tripled. As of January 1, 2023, the Central Securities Depository had 547,154 accounts opened for 513,468 individuals, which represents 5.8% of the economically active population. In our largest IPO, the KazMunayGas deal, we saw 50% participation by retail investors.

What's your focus, and biggest project, for the year?

We will continue to implement our Strategy for 2022-2024.

KASE will focus on improving liquidity in the exchange's markets by attracting new issuers and members, upgrading its IT, launching new instruments and increasing operational efficiency. One of the main priorities is the promotion of ESG standards, including the increasing issuance of green bonds, ESG disclosure requirements and developing a methodology for calculating ESG indices. We will continue to support our financial literacy programs for retail investors and introduce new training programs for existing and potential issuers.

One of the key projects for 2023 is to fully transfer our CCP and settlement business to our subsidiary, "KASE Clearing Center" JSC. We are currently in the process of certain organisational issues, such as applying for licenses, employing new staff, concluding agreements and so on. We are also working on making the CCP services conform with the industry's standards, and we plan to inject significant capital and obtain ratings. We will not only service KASE's markets, but also offer services to commodity exchanges and other securities exchanges operating in Kazakhstan and in the region.

When you look back at last year and the exchange's history, what are you most proud of?

Over the past 30 years, the Kazakhstan Stock Exchange has come a long way from being an FX exchange to becoming a universal exchange with four markets: securities, money markets, FX and derivatives. KASE provides clearing and netting in all markets and T+2 trading for more than 240 instruments. More than 1,430 instruments (920 securities) are traded in our markets; we calculate 24 market indicators. Our daily turnover exceeds \$2 billion. All of the liquidity of the financial market of Kazakhstan is invested through KASE, which is also a source of market data for Kazakhstan and foreign investors.

Over the years, the exchange passed several stages of IT modernisation and it continues to progress dynamically, considerably contributing to the economy of Kazakhstan and the development of the country's capital market.

Over the past two years, the number of retail investor accounts on the Kazakhstan stock market increased hugely, and the trading system of KASE has been successfully servicing the higher number of transactions.

This period was marked for KASE by technological modernisation and the expansion of the range of services provided by the exchange to financial market participants. These tasks were included in the list of key areas of the new Development Strategy adopted by KASE.

The process of transforming our activities is ongoing, and KASE closely follows global trends and practices and complies with IOSCO standards. A lot of effort is being made to promote the development of ESG principles in Kazakhstan. We are working on upgrading the stock market ratings from Frontier to Emerging by FTSE and MSCI, including the state bonds in J.P. Morgan's EMBI index.

In response to the growing needs of participants, new financial instruments are launched every year: simplified rules for listing procedures were introduced for SMEs, a new platform called KASE Global was opened for trading in foreign shares, the terms for concluding transactions in the money market were extended, trading opportunities were provided using omnibus accounts, the Clearstream system was connected for the convenience of participation by non-residents in the government securities market, and IPOs were successfully held on the KASE platform.

Last year, we successfully completed the fully domestic IPO of one of the largest oil and gas producers.

What does the future hold for your exchange?

We will continue to focus on the technological advancement of our services. As the digitalisation of financial services is ongoing, we need to look into new trends and how they will affect the stock exchange business. In Kazakhstan, as in any emerging market, besides following the market development and increasing financial inclusion, you have to look into the new technology and follow the disruptive nature.

We are working actively on following not only traditional sectors and instruments, but launching new ones and bringing them to the exchange. Due to growing demand for investment in digital instruments, KASE is actively exploring the option of launching a pilot project based on blockchain technology. KASE is working on including derivative financial instruments, or ETFs with cryptocurrencies as underlying assets in our trading lists. In addition, we are studying the regulations and infrastructure necessary to start issuing tokenised securities.

The exchange platform servicing the liquid capital market, being available in terms of financial costs for all market players, using modern fast trading and clearing systems and convenient digital technologies – this is how the Kazakh Stock Exchange sees its future. It is ready to share this future with all its clients and partners.

I believe interesting times lie ahead of us and we are looking forward with optimism and with our hands full of projects.

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