

Interview with Alina Aldambergen, Chairman of Management Board, Kazakhstan Stock Exchange JSC (KASE)

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KASE is celebrating its 25th anniversary this year. Can you outline how and why KASE was founded in 1993?

KASE was set up back in 1993. It started as a forex exchange. Over the past 25 years it has gradually launched trading of all kinds of financial instruments that can be traded both on exchange and OTC markets. In Kazakhstan instruments are primarily traded on the exchange.

On 15 November 1993 the Republic of Kazakhstan introduced its national currency, a critical instrument for financial and economic independence, so the country could define its own monetary policy.

The appearance of the national currency required the development of a foreign exchange market. On 17 November 1993, two days after the launch of the national currency, the Kazakh Interbank Currency Exchange was officially established.

The main task of the exchange was the arrangement and development of the national foreign exchange market. At that time, settlements on the exchange took at least two days. To buy foreign currency, it was necessary to credit the exchange's account with the tenge in advance. The buyer received the purchased money directly from the seller (not via the exchange) on the following business day after the transaction had been made. As for Russian rubles, the settlement period could reach 15 days. Initially, trading was held once a week, usually on Fridays, in addition to that through voices. Dealers of the banks participating in trading used plates with registration numbers to announce their selling or buying rate for the currency.

What are the major milestones for the exchange over the past 25 years?

KASE is now a universal stock exchange, but as outlined above, it all began with foreign currency trading in 1993. New segments of exchange trades were gradually introduced as follows sequence: the first trades in government securities were held in 1995; trades in derivative instruments (futures on the KZT/USD exchange rate) in 1996; the first trades in listed shares and government's stake were held in 1997; and the first trades in corporate and municipal bonds were conducted in 1999. The repo market began operating in 1999 too, and the automatic repo market launched in 2001.

As trading opened in various segments, market indicators, which started reflecting the state of Kazakhstan's economy, were introduced. For example, the TONIA indicator, which was launched in September 2001, is now the main rate targeted by the National Bank, which is also one of the significant factors in deciding on the base rate.

The next critical development stage was managing the initial public offerings (IPOs) of major Kazakhstan companies, within the government programme of privatisation called 'People's IPO'. The successful IPOs of state companies showed the reliability and convenience of the KASE trading system. The exchange developed a mechanism for the placement of securities through a subscription method, and it is still used to this day.

Summing up the past 25 years, KASE has transformed itself from a currency exchange into a universal trading platform. Currently, the exchange combines four markets: a securities market, a foreign exchange market, a money market, and the futures market. [KASE has more than 800 financial instruments](#) and the full cycle of trade and post-trade exchange services. In 2016, KASE rebranded itself, focusing on openness, and celebrating its aspiration for innovation based on many years of experience of building the national market.

Please could you tell us more about the electronic book “KASE: History in People” which is being created to commemorate the anniversary?

The electronic book 'KASE: History in Persons' is dedicated to the 25th anniversary of the Kazakhstan Stock Exchange. It includes memories and interviews with the people who influenced the making of the Kazakhstan stock market, and of KASE, over the past quarter of a century.

These people include current and former employees of the exchange including a software engineer, an employee from the software unit of Kazakhstan Stock Exchange, and one of the designers of the exchange's trading system in the middle of 1990s. The exchange-related stories were told by people such as: Damir Karasayev, who was the president of Kazakhstan Stock Exchange CJSC from April 1999 to April 2002, and Elena Bakhmutova, who headed the Financial Supervision Agency in the middle of the financial crisis from January 2008 to April 2011.

The current governor of the National Bank of Republic of Kazakhstan has shared his memories, along with the chairperson of the Committee of the Mazhilis of the Parliament of the Republic of Kazakhstan on finance and budget, who was a chairman of the National Securities Commission in the 1990s. Other participants include ex-governors of the National Bank of the Republic of Kazakhstan, government officials, and representatives from professional market firms.

All the stories have something in common, and at the same time, each story stands out with its own individual perception of events. It is so interesting to read them, and to take into account the broad range of opinions. This analytical rethinking of events enables us to view history with finer nuances and details that are not always fully reflected in the official history.

Our characters were doing things for the first time in the country's history: opening a trading floor; developing software; launching trading in the national currency; operating trading in various securities; learning and establishing new definitions, terms, rules, and later teaching and involving others in this process; living through crises, and living through phases of recovery and growth.

We consider it very important to keep the 'History in Persons' alive, because a lot of information could be forgotten if not recorded on paper. It is essential for all of us to remember the path that our country went through, the mistakes that have been made, and difficulties that our country overcame.

Maybe, sometime in the future, we will release the book in hard copy. We put small fragments of memories into our book 'How the future was created', which is going to be released this anniversary year. At the moment, you can read our stories on the KASE website.

What is your vision for the next 25 years of KASE?

Since its foundation, KASE has been an integral part of the infrastructure of the financial market of Kazakhstan, and occupies an essential place in the domestic real economy. KASE forms and promotes the securities market as one of the sources of raising capital and increasing investments. As part of its new development strategy, KASE plans to modernise its software systems, launch a central counterparty in all exchange markets, expand clearing services, and introduce new financial instruments.

The primary strategic goal of the exchange is to create an affordable, high-quality and efficient mechanism for attracting financing by Kazakhstan companies on the domestic stock market, creating attractive conditions for local and international investors, and providing a full range of exchange services following accepted international standards.

The phased modernisation of trading and clearing systems in the stock and money markets, and later in foreign exchange and derivatives markets, will allow KASE to introduce new trading tools and settlement cycles, as well as improve the reliability of KASE's IT infrastructure. This will also reduce operational risks and provide KASE with new opportunities for high frequency trading.

KASE is also planning to expand the range of financial instruments supported by the MOEX trading and clearing systems, such as repo contracts with the central counterparty, options, and Exchange Traded Fund (ETFs). This initiative contributes to the optimisation of liquidity management, hedging interest and currency risks, as well as the diversification of investment opportunities for retail investors.

The successful implementation of the above initiatives will bring KASE activities in line with world standards, and allow the exchange to become a client-oriented, modern technological platform, open to innovation and communication, and capable of effectively meeting the needs of domestic issuers, and local and foreign investors.