

2018 Viewpoints: Alina Aldambergen, CEO, Kazakhstan Stock Exchange (KASE)

Category: Interviews

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We hear a viewpoint for 2018 from **Alina Aldambergen, CEO, Kazakhstan Stock Exchange (KASE)**.

Looking ahead to 2018, what are the most important regional and global trends shaping your exchange or CCP?

Kazakhstan's economy is recovering after the protracted crisis. By the end of 2017 GDP grew by 4% and we believe the future perspectives are quite good. As you know on 20 August 2015 Kazakhstan moved to a free floating exchange rate regime within a new monetary policy framework. The high volatility of the national currency (tenge) at its early stage pushed up the inflation rate. National Bank of Kazakhstan successfully enforces a consistent monetary policy whereby the inflation rate is kept within targeted range, the volatility of tenge is continuously decreasing, and the base rate was reduced to 9.75%. The government is continuously realising the policy of the de-dollarisation of the national economy.

At the same time we do realise and keep in our mind that Kazakhstan is a part of the global economy. Kazakhstan is actively developing regional collaboration with its neighbours and participating in various regional organisations. Throughout history, due to its unique geographical location, Kazakhstan has strong economic relations with Russia and China which are, just like Kazakhstan, members of the Eurasian Economic Union and the Shanghai Cooperation Organization. Russia and China are in the top 10 largest trading partners of Kazakhstan.

Kazakhstan's recently adopted country 'Strategy-2025' maps out major milestones of the country's future development based on mobilising internal resources and focusing on sustainable growth. The Strategy-2025 is a holistic approach capturing all aspects of social and economic development. One of the important points of the Strategy-2025 is to enhance SME's role in the economic growth and increase of volume of investments in the real sector of economy.

Being the key institute of the securities market infrastructure KASE keeps facilitating access to fund-raising for SMEs as one of its major activities. Currently there are more than 252,000 SMEs registered in Kazakhstan, but only 56 companies are listed on KASE's Alternative Market. The domestic securities market is a favourable environment for future growth and development. In the forthcoming year we are going to keep our focus on encouraging local SMEs to go public.

We are expecting growth in the currency market due to enhancing the regional cooperation within the Eurasian Economic Union and the Shanghai Cooperation Organization. KASE team has already launched new financial instrument CNY/KZT_SPT tailored to the needs of trading entities from China and Kazakhstan.

Are there any significant regulatory changes on the horizon that may impact the way you do business?

During 2017 KASE was in close collaboration with the National Bank of the Republic of Kazakhstan and professional participants of the market to develop a set of proposals to increase the role of the domestic securities market, and its contribution to economic growth. Most of those proposals were included in the future plans of securities market development. The most important points for KASE are: (i) regulatory changes which allow it to design and launch new financial instruments on the KASE platform; and (ii) softening and simplifying regulatory rules applied to professional participants. The anticipated changes will support further activation of professional participants and investors on KASE markets, there will be a wide variety of new financial instruments, better accessibility of fundraising for SMEs, and start-up projects will go up.

Updating the legal framework for investment funds and financial products will enhance trading activity on KASE and will create conditions to launch ETFs. To promote funds trading and CDs (certificates of

deposit) on the KASE platform we have initiated amendments to the rules in order to recognise them as financial instruments.

In order to simplify trading operations on KASE we initiated a process of submitting access for brokerage companies to the KASE currency market. At the moment only commercial banks are allowed to trade on the currency market.

What are your key strategic priorities for the coming year?

KASE is the only and universal trading platform in Kazakhstan having a securities market, derivative market, money market and currency market.

Over the past five years the key figures of all markets have demonstrated stable growth. Total trading volume for 2017 reached \$468bn, which is higher by 69% compared to the previous year. The securities market is distinguished due to its most significant growth. The securities market grew by 175% with trading volume of \$11bn. According to Bloomberg KASE Index is in the Top Three fastest growing stock exchange indices in the world with growth of 59% in 2017. Currently there are 804 financial instruments traded on KASE and 174 listed companies. In 2017 51 financial instruments were admitted and KASE listed 15 new companies. The number of retail investors at the end of 2017 was more than 109,000. 56 companies are members of KASE, including two Russian professional participants with the status of remote membership.

The mission of KASE is to promote further contribution to the sustainable economic growth of the national economy of Kazakhstan. The general strategy KASE adopted two years ago includes three key focus areas for development: stock market growth; customer focus improvement; and improvement of efficiency and competitiveness. In each area there are particular goals to be reached. The KASE team has already implemented a set of actions and a wide range of projects in different fields in order to reach our strategic goals.

We will keep our strong focus on developing KASE's trading and clearing systems. We are going to apply new IT-decisions to improve risk management systems and the quality of KASE's services. In order to improve actual risk management systems KASE has initiated a project to run central counterparty function on the ForEx market based on existing legislation. Today KASE already functions as a central counterparty on the derivatives market. This year KASE plans to gradually introduce central counterparty functions on all exchange markets.

As I've mentioned before we make every effort to facilitate fundraising for SMEs. Last year KASE introduced a new listing structure and rules with eased requirements and reduced listing fees to meet the needs of SMEs. KASE considers launching a new platform tailored for start-up projects under our particular vision of cooperation with companies intending to raise funds. KASE has close cooperation with national development institutions and associations of entrepreneurs in terms of promoting the securities market among companies, and that cooperation will continue to develop further.

Many projects are focused on increasing the awareness of Kazakhstani entrepreneurs and retail investors about securities market opportunities for fundraising and investing. We pay attention on conducting educational programmes in order to improve financial literacy among our citizens. In 2018 year we are going to continue our educational programmes and other events to increase financial literacy and awareness of entrepreneurs and retail investors.

We are expecting that our constant and strict efforts will result in continuous growth of all key market indicators.

How do you feel the social role of financial market infrastructures is changing?

Uncertainty and instability of economic situations across the globe, complexity of financial products, high speed of data dissemination and development of new technologies are a range of concerns to be dealt with. The old methods of conducting a business cannot be applied anymore. The fast changing world demands a new vision and different approaches. The business community is coming to a deeper understanding that the better way is to adhere to the 'win-win' rule.

Therefore I think that financial markets infrastructures are not supposed to play the role of financial services providers only. While talking about stock exchanges as a key infrastructure for the securities markets, it is also necessary to mention the important role of a stock exchange in promoting ideas of sustainable development and responsible investment. Increasing awareness and financial literacy,

promoting best practices and high standards of business conducting, providing facilities for better information disclosure and transparency are the main social responsibilities of a stock exchange.

KASE makes efforts to improve financial literacy and awareness of entrepreneurs and investors about securities market opportunities for fund-raising and investing. KASE conducts seminars on key topics of the stock market for all interested parties. This year we are going to cooperate with local universities in order to enhance financial literacy of the younger generation.

Another important task of KASE is to build an effective investor protection framework jointly with society and authorities. KASE constantly improves its infrastructure for listed companies to disclose information about their activities. Increasing transparency and the quality of information disclosure will lead to a broader awareness with all market participants for better decision making.

In 2015 KASE joined the United Nations Sustainable Stock Exchange initiative (UN SSE) and under its umbrella designed and launched on 1 December 2016 the Model Guidance on ESG reporting. Currently information disclosure under that policy is optional for KASE listed companies, but in the nearest future it will be mandatory to prepare and disclose information for all listed companies.

The next important project is the participation of KASE in the task force established by the Ministry of Finance of the Republic of Kazakhstan in collaboration with the UN Conference on Trade and Development (UNCTAD). The objective of the task force is to increase the quality of corporate reporting and to improve the level of corporate governance with Kazakhstani companies as well as to encourage implementing best practices of accounting and corporate governance. As a result of the task force's activities in 2017, the National plan was adopted by the government of the Republic of Kazakhstan. The National plan is focused on improving financial reporting and corporate governance in terms of information disclosure and transparency of activities.

As a key institute of the securities market infrastructure KASE is strongly involved in the projects initiated by the government for the purpose of improving positions of Kazakhstan in the Global Competitiveness Index. Kazakhstan has an ambitious goal to enter the Top 30 countries in accordance with the Global Competitiveness Index. KASE has developed and implemented projects to improve the country's position in the 'Financial market development' pillar of the Global Competitiveness Index. Also KASE develops projects to enhance the competitiveness of local companies and to promote ideas of gender equality.