The AIFC’s mission is to contribute to the sustainable economic development of Kazakhstan and the region, by fostering innovation financial solutions and services by establishing an environment that delivers fair and transparent financial and capital markets, in which individuals and institutions act with integrity.

The vision of the AIFC is to become the leading international financial centre in Central Asia, the Caucasus, the Eurasia Economic Union, Western China, Mongolia, and Eastern Europe. Our vision is therefore to become a full service centre with advanced settlement and payment systems, have deep and liquid markets, and where legal and regulatory frameworks are adequate to safeguard the integrity of principal-agent relationships and supervisory functions.
Kazakhstan’s strategic initiatives

- Strategy 2025’s core systemic reforms support the seven evolutionary paths of the Kazakhstan 2050 Strategy
- Implementation of the government’s structural reform agenda is a key priority to ensure long-term growth

Source: Kazakhstan Strategic Development Plan 2025.
Domestic banking sector

- Key focus of the National Bank of Kazakhstan currently is to ensure the price stability and the banking sector rehabilitation
- Unresolved poor asset quality remains a critical issue in the banking sector
- Banking system consolidation and recapitalisation is taking place (large merger of the two largest banks Halyk & KKB)
- Bank insolvency and associated risk-aversion continued to act as a drag on credit growth.

<table>
<thead>
<tr>
<th>Top 15 commercial banks by assets /1</th>
<th>Share of system assets</th>
<th>Share of system lending</th>
<th>Share of problem loans /2</th>
<th>Share of NPLs past 90 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halyk Bank of Kazakhstan and Kazkommertsbank /3</td>
<td>34.9</td>
<td>32.0</td>
<td>9.6</td>
<td>8.3</td>
</tr>
<tr>
<td>Tsesnabank</td>
<td>9.0</td>
<td>13.2</td>
<td>6.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Sberbank of Russia</td>
<td>7.4</td>
<td>8.6</td>
<td>10.9</td>
<td>6.6</td>
</tr>
<tr>
<td>ForteBank</td>
<td>6.6</td>
<td>4.4</td>
<td>15.8</td>
<td>7.4</td>
</tr>
<tr>
<td>Kaspi Bank</td>
<td>6.4</td>
<td>7.6</td>
<td>14.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Bank CenterCredit</td>
<td>6.0</td>
<td>7.7</td>
<td>19.1</td>
<td>7.1</td>
</tr>
<tr>
<td>ATFBank</td>
<td>5.5</td>
<td>6.2</td>
<td>25.3</td>
<td>11.5</td>
</tr>
<tr>
<td>Eurasian Bank</td>
<td>4.2</td>
<td>4.7</td>
<td>24.3</td>
<td>8.9</td>
</tr>
<tr>
<td>Citibank Kazakhstan</td>
<td>2.7</td>
<td>0.7</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Bank RBK</td>
<td>2.3</td>
<td>1.7</td>
<td>46.3</td>
<td>17.4</td>
</tr>
<tr>
<td>Nurbank</td>
<td>1.8</td>
<td>1.7</td>
<td>15.9</td>
<td>6.0</td>
</tr>
<tr>
<td>Altyrn Bank</td>
<td>1.8</td>
<td>1.0</td>
<td>1.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Alfa-bank</td>
<td>1.8</td>
<td>1.5</td>
<td>13.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Bank of Astana</td>
<td>1.5</td>
<td>1.4</td>
<td>31.4</td>
<td>6.6</td>
</tr>
<tr>
<td>Qazaq Banki /4</td>
<td>1.5</td>
<td>1.4</td>
<td>22.3</td>
<td>4.4</td>
</tr>
</tbody>
</table>
**AIFC as a Hub**

<table>
<thead>
<tr>
<th>HUB</th>
<th>HUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Asia</td>
<td>Investment</td>
</tr>
<tr>
<td>Eurasian Economic Union</td>
<td>Savings for private wealth</td>
</tr>
<tr>
<td>China: Belt and Road Initiative</td>
<td>Fintech</td>
</tr>
</tbody>
</table>
AIFC Development Strategy

Core Pillars of the AIFC Development

The main objectives of the AIFC are to develop the non-banking financial sector of Kazakhstan and provide favourable environment for investments. Positioning Astana as a main financial centre in the region shall be achieved through the development of the following five core pillars:

- Capital Markets
- Asset Management
- Private Banking
- Islamic Finance
- Financial Technology

Fundamental Success Components

The following key priorities shall serve as the essential building blocks for a successful creation of favourable environment and a strong base for AIFC to become the main financial hub in the region:

- Reliable Legal System
- Independent Regulation
- Exchange Infrastructure
- Access to SWF Management
- Green Finance
- Conducive Environment

Note: AIFC Development strategy was determined by the AIFC Management Council on 26 May 2016. For more information visit www.aifc.kz
AIFC Value Proposition

• Platform for alternative financing in the region

• English common law, independent judiciary

• International standards of financial regulation

• Corporate governance standards

• Risk based, receptive and dynamic regulator

• Tax exemptions:
  • Corporate income for financial and ancillary services
  • Capital gains for corporate and individuals

• Simplified visa regime
Structure of the AIFC ecosystem

AIFC Bodies

AIFC Management Council

Governor

AIFC Administration

Astana Financial Services Authority

AIFC Court

International Arbitration Centre

Other Key Players

AIFC Expat Centre

Bureau for Continuous Professional Development

Astana International Exchange

AIFC Fintech Hub
About AFSA

Astana Financial Services Authority

Independent regulator of financial and non-financial services in the Astana the Astana International Financial Centre

Mission: to establish an environment that delivers fair and transparent financial and capital markets, in which individuals and institutions act with integrity.

Main functions:
• Registrar of Companies
• Corporate Regulator
• Financial Services Regulator (prudential and conduct)
• Ancillary Services Regulator
International cooperation with other regulatory bodies

**Multilateral**
Cooperation with global standard setters

- International Organization of Securities Commissions (IOSCO)
- International Association of Insurance Supervisors (IAIS)
- Basel Committee for Banking Supervision (BCBS)
- Banking Supervisors from Central and Eastern Europe (BSCEE)
- Eurasian group on combating money laundering (EAG/FATF)
- Islamic Financial Services Board (IFSB)
- Accounting and Auditing Organization for Islamic Finance Institution (AAOIFI)

**Bilateral**
Regulatory and supervisory cooperation
**AFSA Regulation**

**Financial Services**
- Capital markets
- Banking sector
- Insurance sector

**Ancillary Services**
- Accounting
- Audit
- Credit rating
- Legal services
- Consulting services

**Corporate Regulator**
- Registrar of companies
- Corporate Governance

**Priorities**
- Capital markets (AIX)
- Asset management
- Private Banking
- Islamic finance
- Financial technologies
- Green finance
## Regulatory environment

<table>
<thead>
<tr>
<th>A legal and regulatory regime, developed in line with international standards (IOSCO, Basel Committee, IAIS, OECD, IFSB)</th>
<th>Principles based regulatory framework based on English Common Law and familiar structure (similar to London, Singapore, Dubai, Abu Dhabi)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business friendly, impartial and fair regulatory policy</td>
<td>FATF recommendations integrated into AML/CTF policies</td>
</tr>
</tbody>
</table>
Regulatory structure

Financial Services Framework Regulations

- General Rules
- AML, CTF and Sanctions Rules
- Conduct of Business Rules
- Representative office Rules
- Recognition Rules
- Auditor Rules
- Fees Rules
- Insolvency Rules

Securities market
- Authorised market institution Rules
- Market Rules
- Collective investment scheme Rules
- Prudential rules for Investment firms

Islamic finance
- Islamic finance Rules
- Islamic banking Prudential rules

Insurance
- Prudential rules for Insurance intermediaries

Fintech
- Fintech regulatory sandbox guidance
Regulated activities – Investments

- Managing Investments
- Managing a Collective Investment Scheme
- Exempt Fund
- Non-Exempt Fund
- Specialist Fund
- Islamic Investment Fund
- Domestic Funds
- Foreign Funds
- Providing Custody
- Providing Trust Services
- Providing Fund Administration
- Acting as the Trustee of a Fund

- Advising on Investments
- Arranging Deals in Investments
- Managing a Restricted Profit Sharing Investment Account
- Islamic Banking Business
- Providing Islamic Financing
- Banking Business Framework (Accepting Deposits, Granting Loans)
Establishing presence in the AIFC

<table>
<thead>
<tr>
<th>Representative office</th>
<th>Recognised Non-AIFC Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch</td>
<td>Financial market institutions (investment exchange, clearing house)</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Qualified market participants (brokers/dealers)</td>
</tr>
</tbody>
</table>

**Types of body corporate**

- Private Company
- Public Company
- Special Purpose Company
- General Partnership
- Limited Partnership
- Limited Liability Partnership
- Non-profit Incorporated Organisation
Requirements for Regulated Activities

<table>
<thead>
<tr>
<th>Financial Resources</th>
<th>Systems and Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>General requirements</td>
<td></td>
</tr>
<tr>
<td>Outsourcing</td>
<td></td>
</tr>
<tr>
<td>Corporate governance</td>
<td></td>
</tr>
<tr>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>Internal audit</td>
<td></td>
</tr>
<tr>
<td>Conflicts of interest</td>
<td></td>
</tr>
<tr>
<td>Information barriers</td>
<td></td>
</tr>
<tr>
<td>Management of risks</td>
<td></td>
</tr>
<tr>
<td>Recordkeeping</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-financial Resources</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Controllers</td>
<td></td>
</tr>
<tr>
<td>Controlled and Designated Functions</td>
<td></td>
</tr>
</tbody>
</table>
License process

Pre-application
- Meetings
- Preparation of documents
- Development of the Regulatory Business Plan

Application
- Submission of documents
- Initial review
- Application Acceptance

Assessment
- Evaluation against assessment criteria
- Interviews
- Request more information
- Recommendation of the Committee

In-principle approval
- Notification
- Company registration
- Funding bank account
- Other requirements

Authorisation
- Issue of Licence
- Handover to Supervision

Fees
- Registration fee ($200)
- Licensing fees waived until 2021

Approved Individuals
- Controlled Functions
  - Senior Executive Officer
  - Director
  - Finance Officer
  - Compliance Officer
- Designated Functions
  - Money Laundering Reporting Officer
Fintech

**Sandbox application**

- Application process:
  - Pre-Application;
  - Application

- Sandbox procedures, established as per best international practices

**Sandbox Regulatory Regime**

- Tailored regulation

- Testing and development period - up to two years with the option to extend
Benefits of participation

- Legal and regulatory framework
- Wide choice of corporate vehicles
- Visa and Tax regimes
- World class infrastructure
- Simplified registration and licensing process
- Fees waivers
- Attractive requirements
- Application of international standards for:
  a) Anti Money Laundering
  b) Conduct
  c) Prudential
- Risk based proportionate approach to regulation
## Rationale

<table>
<thead>
<tr>
<th>Platform</th>
<th>Synergy</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>The opportunity is now, considering the benefits of the AIFC English law based hub model</td>
<td>Asset management &amp; Wealth management is an enabler to the success of Banking and Capital Markets business, and the wider AIFC role</td>
<td>BRI initiative – tapping the growth of China and build on the strong Chinese presence in AIFC</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expansion</th>
<th>Clients</th>
<th>Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derive the greatest possible strategic benefit from international financial institutions growing internationalization scale (Focus on Asia)</td>
<td>Large bulk of regional clients prefer to be serviced onshore (evolving client needs and requirements)</td>
<td>Complex regulation and stringent client on-boarding requirements in developed markets and large financial hubs</td>
</tr>
</tbody>
</table>
Thank you!

www.aifc.kz
www.afsa.kz