



ANNUAL REPORT

2021

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DISCLAIMER

This Annual Report contains general information about the Astana Financial Services Authority (AFSA) and is intended for informational purposes only. AFSA shall not be responsible for any liability arising from the use of the information herein.

This Annual Report contains forward-looking statements concerning AFSA activities. All statements (other than statements of historical fact) are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on the AFSA Board of Directors and the AFSA Executive Body's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. Several factors could affect the future operations of AFSA and could cause those results to differ materially from those expressed in the forward-looking statements included in this Annual Report.

All forward-looking statements contained in this Annual Report are expressly qualified in their entirety by the cautionary statements contained or referred to herein. Readers should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of this Annual Report. Neither the AFSA nor any of its officers, agents or employees undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this Annual Report.

ABOUT AFSA

The Astana Financial Services Authority (AFSA) is the independent regulator of the Astana International Financial Centre (AIFC), established under Constitutional Statute to regulate financial services and related activities in the AIFC.

The AIFC operates as per the Constitutional Statute relating to the Astana International Financial Centre, dated December 2015. The supreme governing body of the AIFC is Management Council, a permanent collegial body chaired by the President of the Republic of Kazakhstan. The AIFC aims to attract inward investment to the Kazakh economy through the establishment of an attractive and business-friendly environment for financial services and capital markets, including securities, insurance, banking and Islamic finance.

Who we are

AFSA is a body established in accordance with the Constitutional Statute #438-V (07/12/2015) responsible for the regulation of financial services and related activities in the AIFC.

AFSA's purpose is to facilitate business by maintaining the safety and robustness of the AIFC financial system and to ensure that financial markets in the AIFC are fair, efficient and transparent. The AIFC Regulations and Rules provide for the authorisation, registration, recognition and supervision of financial firms and market institutions.

The organisation is independent in its activity and accountable to the AFSA Board, the AIFC Governor and the AIFC Management Council chaired by the President of the Republic of Kazakhstan.

What we do

AFSA is the integrated regulator of the following AIFC activities and Centre Participants:

- **Policy Development:** AFSA develops and adopts AIFC regulations and rules concerning the regulation of financial services;
- **Registration:** AFSA registers and incorporates all AIFC Participants, including regulated persons and persons offering ancillary and non-financial services;
- **Authorisation and Recognition:** AFSA authorises AIFC Participants to ensure that only the right firms, run by the right people, and selling the right products to consumers, are approved to do business in the AIFC. Recognition enables renowned financial firms to obtain electronic access to AIFC markets in a streamlined manner;
- **Supervision and Enforcement:** AFSA performs prudential and conduct supervision of firms offering financial services, and enforces AIFC Regulations and Rules.

Objectives

In performing its functions and exercising its powers, AFSA pursues the following Regulatory Objectives:

- (a) The regulation, control and supervision of financial activities in the AIFC by Centre Participants to ensure the maintenance of a safe and robust financial system within the AIFC.
- (b) Ensuring that financial markets in the AIFC are fair, efficient, transparent and orderly.
- (c) Creating fair, transparent and non-discriminatory conditions for Centre Participants.
- (d) Fostering and maintaining confidence in the AIFC's financial system and regulatory regime.
- (e) Fostering and maintaining the financial stability of the AIFC's financial services industry and capital markets, including the reduction of systemic risks.
- (f) Preventing, detecting and controlling actions that may cause damage to the reputation of the AIFC or to the financial activities carried out in the AIFC by taking appropriate measures, including by imposing sanctions.
- (g) Protecting the interests of investors and users of financial services.

- (h) Implementing a regulatory regime for financial services in the AIFC that meets international standards.
- (i) Fostering the development of financial technologies in the AIFC.
- (j) Occasionally pursuing such other objectives as may be specified by AIFC's Regulations

Vision, Mission and Principles

Mission: Create and maintain a regulatory environment for fair and transparent financial markets.

Vision: To become a leading financial services regulator in Eurasia.

Values:

- Professionalism
- Transparency
- Integrity
- Accountability
- High ethical and corporate governance standards
- Impartiality, independence and objectivity in decision-making

EXECUTIVE SUMMARY

This report presents the activities and results of the Astana Financial Services Authority (AFSA) operations as the regulatory authority of the Astana International Financial Centre (AIFC) from 1 January 2021 to 31 December 2021.

AFSA pursued its activities in 2021 guided by the AIFC Development Strategy 2021 – 2025, adopted by the AIFC Management Council on 2 July 2020. Specifically, AFSA focused on implementing the AIFC's objectives, as envisaged in the Constitutional Statute and contributing to the relevant reforms necessary for the proper functioning of the financial sector. AFSA made contributions to the implementation of the AIFC strategy through a number of initiatives including, (i) the enhancement of AIFC regulatory frameworks, (ii) expansion of access for AIFC participants to the financial markets of Kazakhstan, (iii) growing the AIFC participant community, (iv) further streamlining the registration and

authorisation process, (v) aligning financial services regulation to international standards and (vi) expanding AFSA's presence in the international arena.

Policy development

AFSA continued to carry out legislative initiatives to support the delivery of the overall AIFC strategy. The resolution of domestic cross-jurisdictional matters, particularly in respect of AIFC participant currency operations, was one of the most important policy priorities during 2021. This required intensive engagement with the National Bank and the Agency for Regulation and Development of the Financial Markets of Kazakhstan. This work resulted in the adoption of new Rules on Currency Regulation and Provision of Information on Currency Transactions in the AIFC, enhancing access of AFSA authorised firms to the financial markets of Kazakhstan. The outcomes will provide greater certainty for the operations of AIFC participants and facilitate better informed decisions regarding broader risks to the financial system of the AIFC and the economy of Kazakhstan.

Demonstrating its commitment to aligning the AIFC framework with the best international standards, AFSA carried out major enhancements to the Anti-Money Laundering and Combatting Terrorism Financing (AML/CFT) Framework in accordance with the recommendations of the Financial Action Task Force (FATF). AFSA, working jointly with the tax authorities of Kazakhstan, also introduced the AIFC Substantial Presence Rules in support of the OECD guidance on Base Erosion Profit Shifting package.

AFSA continued to develop new frameworks in response to market needs, such as the Multilateral and Organised Trading Facility (MTF/OTF) Framework, and Digital Assets Framework enhancements in the AIFC.

Registration of AIFC Participants

The number of registered firms reached 1,173 by the end of 2021, with 550 new firms entering AIFC. This represents an 89% increase compared to 2020 and continues the trend of new firms choosing the AIFC as their jurisdiction. This rapid increase in registration dynamics during 2021 demonstrates the recovery of the business environment following the pandemic. The third and fourth

quarters, in particular, saw the greatest number of registrations. 475 firms (41% of the total number) registered and recognised in the AIFC involve foreign investors, representing 60 foreign countries. Firms from Kazakhstan continued to make up the majority of the AIFC community (698 participants or 60%). The next most represented jurisdictions are China (110 participants or 9%), the EU (66 participants or 6%), Russia (64 participants or 6%), the UK (33 participants or 3%) and the USA (31 participants or 3%).

Authorisation and Recognition

Interest in obtaining authorisation from AFSA for conducting financial services continued rising in 2021. The number of entities, that received licences to perform regulated financial services in 2021 reached 23, which is a two-fold increase compared to the previous year (11 in 2020). This speaks favourably of the AIFC's growing attractiveness for financial services firms from around the world.

There was increased interest in investment funds and asset management business in the AIFC during 2021. Seventeen of the twenty-two authorised firms received licences to carry out regulated activities in investment business services. The authorisation process was significantly facilitated in connection with efficiency and processing improvements.

Supervision and Enforcement

AFSA's integrated system of supervision ensures the efficient functioning and integrity of financial markets, providing financial stability and is central to AFSA's regulatory work.

Prudentially regulated firms more than doubled in 2021, increasing from 17 to 39 over the year. AFSA has prudentially supervised 12 "higher impact" firms (such as banks and insurers) and 27 investment companies. AFSA continued assessing, monitoring and mitigating conduct risks across the full range of Authorised Firms in the AIFC. 46 Authorised Firms and 137 Ancillary Service Providers were under conduct supervision.

For the first time, assets of the financial sector exceeded USD 1 billion, which is testament to the ongoing expansion of the AIFC.

In capital markets oversight, AFSA continued to primarily focus on the oversight of two Authorised Market Institutions: Astana International Exchange Limited (AIX) and Astana International Exchange Central Securities Depository Limited

(AIX CSD). AFSA reviewed and approved several business initiatives of the AIX and AIX CSD such as launching the AIX Qazaq Index, the enhanced settlement model, and its Repurchase Agreement (REPO) project. In 2021 AFSA created a new Anti-Money Laundering division within the Regulatory Office in line with its international commitments to AML/CFT. This reinforces AFSA's aspiration to ensure that the AIFC is not used for purposes of money laundering. In anticipation of the 2022 Mutual Evaluation by the Financial Action Task Force (FATF) and Eurasian Group (EAG), a FATF style regional body, AFSA has rolled out a roadmap in preparation of the international assessment. The Agency for Financial Monitoring of Kazakhstan and AFSA formalised co-operation by entering into a Memorandum of Understanding in order to unite efforts for the purposes of AML/CFT in Kazakhstan and in preparation of the mutual assessment.

Promoting FinTech Innovations in the AIFC and Beyond

In the four years since its inception, the FinTech Lab has proved to be a highly popular destination for financial innovators from all over the world. In 2021, AFSA received and processed 71 applications, accepting 9 firms to the FinTech Lab (versus 63 received and processed applications in 2020 with 12 firms accepted).

As the digital assets industry received strong market interest, AFSA focused on certain projects to create an enabling environment. The Working Group with the government authorities and peer regulators of Kazakhstan has resulted in the adoption of a roadmap on the development of the crypto industry of Kazakhstan. It is envisaged that a pilot project will be launched in 2022 allowing crypto exchanges to operate in the AIFC under an environment strictly controlled by AFSA.

In the past year, ten FinTech Lab Participants operated in live environment mode with clients. They facilitated contracts in loan-based crowdfunding, investments in digital assets and payments amounting to more than USD 22.6 million. Although the scale of operations of FinTech Lab Participants is relatively small, the FinTech Lab helps to promote financial inclusion and competition in the market.

Effective Authority

Digitalisation. AFSA continued further work on streamlining business processes, simplifying the user experience and operations of the Digital Resident portal.

Digitalisation workstreams accomplished the following: (1) post-registration services were translated to an online format allowing AIFC participants to obtain services via the Digital Resident portal; (2) the process of application for FinTech Lab licenses was digitalised, making it possible to apply online; and (3) automation of the ancillary services authorisation process allowed submissions of licence applications online.

International Co-operation. Throughout 2021, AFSA's international relations focused on further aligning with international standards of financial services regulations, advancing the global and regional recognition of AIFC and the promotion of AFSA's international profile.

AFSA strengthened its international profile through several initiatives, including (1) chairmanship in the Group of Banking Supervisors from Central and Eastern Europe (BSCEE); (2) formalisation of co-operation with securities regulators of the European Union through the European Securities and Markets Authority; (3) assumption of a role as Regional Co-ordinator for the International Association of Insurance Supervisors (IAIS) MMoU in the Central and Eastern Europe and the Transcaucasian (CEET) region; and (4) a High-Level Meeting on Regulatory Co-operation in Central Asia.

AFSA actively contributed to the activities of global standard-setting organisations. The main avenues for AFSA's involvement were (1) through its membership of 15 committees and working groups of international organisations (AFSA joined the Technical Committee of the Islamic Financial Services Board (IFSB) in 2021); (2) its contribution to research and survey initiatives globally; and (3) attendance at international forums discussing and expanding the global regulatory agenda.

Rigorous self-assessment exercises were undertaken in relation to the insurance and Islamic finance sectors throughout 2021. This facilitated benchmarking against best standards and further improvement in AIFC's financial legislation.

AFSA further strengthened its bilateral relations with peer regulators from Europe and Asia, enhancing its ability to exchange information and experience with regulators on supervisory issues. AFSA formalised co-operation with 19 peer regulators through bilateral agreements and memoranda, including 17 MoUs relating to the Alternative Investment Fund Managers Directive (AIFMD). This has brought the total number of agreements and memoranda concluded by AFSA to 43.

Public Communications.

Regulatory communications and outreach distinctly intensified in order to ensure timely communication to relevant stakeholders on decisions and legislative initiatives impacting the financial markets. This was done through regular notices to the public and AIFC participants, news and press releases on adopted rulebooks, guidance and other regulatory material, private meetings and public outreach events.

Public outreach and engagements grew substantially in 2021 (50 online or hybrid events were held compared to 37 in 2020) allowing AFSA to raise stakeholder awareness on various topics, such as the regulatory regime in the AIFC, understanding regulatory requirements, consumer protection, changes to the rules and regulations, registration and licencing procedures, and combating money laundering. World Investor Week in the AIFC and webinars for members of the Association of Financiers of Kazakhstan are prominent examples of public outreach events. Over 4,200 participants attended World Investor Week alone (33% higher compared with 2020) from 20 cities of Kazakhstan and 23 countries of the world.

To allow more flexible communication with external audiences and introduce more interactive engagement, a presence in social networks has been established on LinkedIn. AFSA introduced new avenues of communication, including Town Hall meetings and newsletters to AIFC participants.

CHAIRMAN'S FOREWORD

2021 was a year of both adaptation and gradual transition to the reality of living with the impact of COVID. It has been a remarkable year of growth for the AIFC against the backdrop of rapid economic recovery in both Kazakhstan and the wider region.



As the recovery continued, the financial markets of the AIFC enjoyed significant growth. Companies under our regulation expanded in size and quality. Our endeavours to enhance the regulatory framework for financial services markets have been met with considerable success. Significant new opportunities were enabled by following the adoption of new regulations and rules. For example, our currency regulation rules will increase the attractiveness of AIFC as a financial services hub and unleash the development of our financial sector in line with the objectives set out in the Constitutional Statute on the AIFC.

AFSA worked closely with global standard-setting bodies in pursuing several legislative initiatives directed at improving both transparency and the reputation of the AIFC globally. Such initiatives included the regulation of

***Marc Holtzman,
Chairman, AFSA Board of Directors***

substantial presence in the AIFC ensuring that the number of full-time employees of, and expenses incurred by, firms seeking tax exemptions are commensurate with core income generating activities and the AIFC's enhanced anti-money laundering regime. These projects ensure that the Centre practices the highest standards of ethics and integrity. We introduced new frameworks, such as the Multilateral and Organised Trading Facilities, in response to market demand for enabling trading activities via intermediaries.

We are proud to see a growing interest from businesses globally, regionally and locally towards the AIFC. This is evidenced by more firms choosing the AIFC to do business. Over the year, the number of AIFC participants grew from 658 to 1,173 (an 89% year-on-year increase), demonstrating the attractiveness of our

regulatory environment and the AIFC jurisdiction as a whole. Financial services businesses have also shown strong interest with 23 new participants obtaining licences to perform regulated activities in the AIFC compared to just 11 in 2020. New firms are predominantly engaged in the asset management business, investment funds and digital assets. For the first time, the financial sector assets have exceeded USD 1 billion. Our commitment to innovation has led to the recognition of our FinTech lab as a destination for financial innovators from all over the world.

In 2021, AFSA asserted its voice and agency in the international arena through its chairmanship of the Group of Banking Supervisors from Central and Eastern Europe, a regional consultative group formed under the Basel Committee on Banking Supervision. AFSA also formalised co-operation with securities regulators of the European Union and acted as a Regional Co-ordinator for the IAIS Multilateral Memorandum of Understanding. AFSA hosted a Meeting on regulatory co-operation in Central Asia following an agreement made in August 2021 by Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

AFSA strives to deliver an environment that is fair, transparent and conducive for doing business. We, therefore, worked closely with various state authorities within Kazakhstan. In particular, we pursued closer relations with Kazakhstan's financial regulators. With the National Bank and the Agency for Regulation and Development of Financial Markets, we had efficient interaction on matters of joint interest, such as sharing supervisory information, mitigating risks to the financial system of Kazakhstan and regulating cross-jurisdictional matters. Co-operation with the Ministry of Justice, Ministry of Finance and State Revenue Committee allowed the further enhancement of incorporation, registration, and taxation issues in the interest of supporting a robust financial sector while improving the ease of doing business in the AIFC. Formalising our co-operation with the Agency for Financial Monitoring of Kazakhstan demonstrated a mutual commitment to fight any threat of Money Laundering and Financing of Terrorism in Kazakhstan.

Overall, the past year has been both challenging and rewarding in terms of positive outcomes for the growth of the AIFC. This progress was achieved under the leadership of the President of the Republic of Kazakhstan – Chairman of the Management Council of AIFC and the Governor of AIFC. Therefore, I would like to express gratitude to H.E. Kassym-Jomart Tokayev and Dr Kairat Kelimbetov for their constant support.

I also would like to express appreciation to fellow Board Directors and members of the Executive Body for their hard work in diligently executing AFSA's mission. Their professionalism and leadership have united the whole AFSA team around common objectives and values.

The mutual support and joint work of all AIFC-family organisations, towards attaining strategic objectives of the AIFC, has significantly contributed to achieving AFSA's goals in the past year.

I look forward to reaching new milestones and greater heights in the new year.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Throughout 2021 we strived towards securing growth, while protecting the integrity and stability of the AIFC's financial markets as regulatory relief and support measures instigated in 2020 were fully discontinued in 2021.



***Mukhtar Bubeyev,
Chief Executive Officer***

By the end of 2021, the regulated community of the AIFC totalled 216 firms, increasing 24% in comparison to the previous year. The AIFC's financial community consisted of 3 market institutions, 46 authorised firms, 137 ancillary services providers, 2 recognised market institutions and 28 recognised members.

The FinTech sector also demonstrated a positive dynamic with 9 new firms being accepted to the FinTech Lab in 2021, bringing it to 40 firms in total, coming from 20 countries of the world. Many new firms coming to the FinTech Lab received licences for doing business in digital assets, including crypto exchanges.

Our regulatory initiatives and supervisory approach have further supported market confidence and growth by strengthening the regulatory environment and enabling new opportunities. For instance, the adoption of the rules on currency regulations gave critical impetus for further growth of the AIFC as an international financial hub. It enabled the extension of a wide range of financial offerings by AIFC firms to residents of Kazakhstan and established terms for conducting foreign exchange transactions. Extensive negotiations with peer regulators of Kazakhstan preceded adoption of the rules in order to prevent regulatory arbitrage and mitigate potential risks for the stability of Kazakhstan's financial system.

AFSA made further improvements in the registration and reporting process through the Digital Resident portal, while digitalisation of new public facing processes has significantly eased entrance to the AIFC, doing business and meeting ongoing obligations. Our new services included online post-registration, applications to the FinTech Lab, obtaining authorisation as ancillary services provider and recognition of Recognised Non-AIFC members. Simple options for the submission of regulatory returns have been made available for authorised firms. The efforts demonstrate our ongoing commitment to simplification of business processes.

Streamlining AFSA's business processes and legislative initiatives, alongside growing recognition of the AIFC as an internal business hub, has led to a record inflow of new business entities. 550 firms became AIFC participants, which is testament to the favourable business and regulatory environment of the centre. Overall, the number of AIFC participants has risen from 623 to 1,173, constituting a growth almost equal to the previous three years.

AFSA elevated its regional and international profile in 2021 through various initiatives. A huge step forward was marked by re-confirming the AIFC as the platform for enhancing regional co-operation between the financial regulators of Central Asia. This commitment was reinforced by adopting a joint declaration to continue collective efforts in developing the financial system in the region.

We will continue encouraging innovations, introducing new financial services and further perfecting the regulatory framework to offer an optimal and attractive environment for doing business. Facilitating business and inspiring innovation will be our focus.

Our achievements in 2021 would not have been possible without our devoted staff. Hence throughout the year one of AFSA's main priorities remained focused on ensuring the safety of its staff and enabling them to work remotely when necessary. I would like to thank each and every one of our staff for their commitment and dedication to work amidst the continued pressure of the pandemic and its restrictions.

I wish to express appreciation to the Board of Directors for its strategic guidance and stewardship, and to the Executive Body members for their joint work towards attaining AFSA goals.

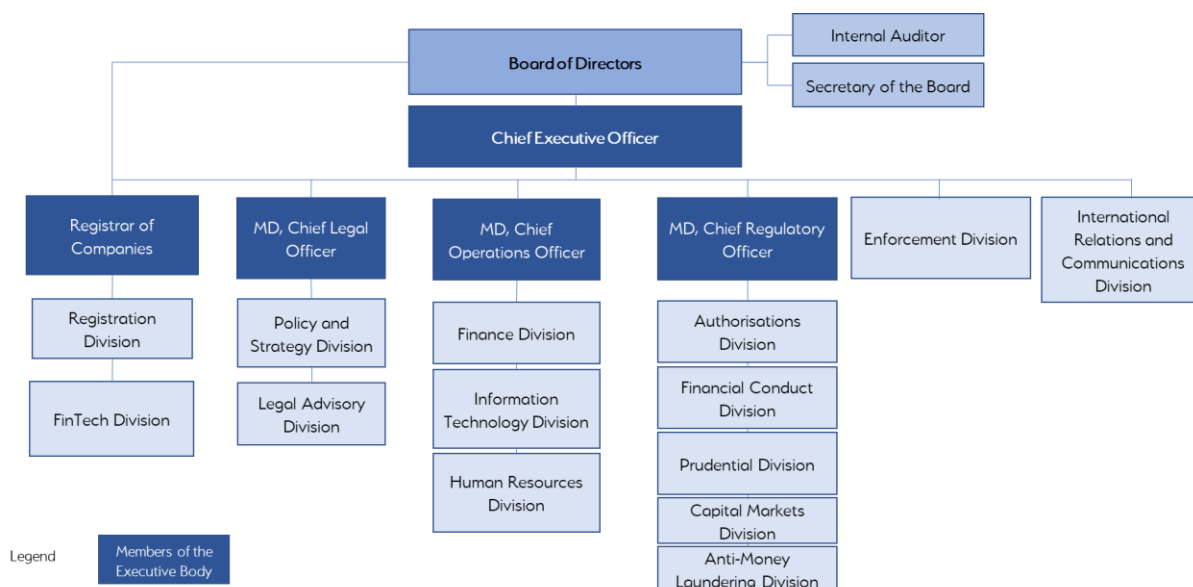
I would like to conclude by thanking all of our partners for their continued commitment to our shared cause to establish an environment that delivers fair and transparent financial and capital markets, in which individuals and institutions act with integrity.

PART 1: GENERAL

1. GOVERNANCE

AFSA operates a two-tier system of corporate governance. Under the existing two-tier system, the Board and the Executive Body exist side by side.

ORGANISATIONAL STRUCTURE



BOARD OF DIRECTORS

The Board is the governing body of the AFSA while the Executive Body is the operating body. The Board oversees the Executive Body and carries out overall oversight of AFSA's activities without interfering in day-to-day operations of AFSA. The Board identifies strategic directions of AFSA's activities, adopts AFSA's regulatory acts and, within AFSA's competence, exercises other powers established by resolutions of the Management Council and/or the Governor within the competence of such bodies in accordance with the Applicable Law of the AIFC.

The Board is headed by the Chairman, who is appointed and dismissed by the AIFC Management Council. The Chairman of the Board is appointed by the Council for a fixed term.

Role of the Board of Directors

The Board is entrusted with the following powers and functions:

- Identifying strategic directions and/or objectives of AFSA and making strategic decisions affecting the future operation of AFSA;
- Approving AFSA's business plan, annual budget and annual report;
- Overseeing the discharge by the Executive Body of the day-to-day business of AFSA;

- Monitoring the Executive Body's performance against AFSA's strategy, objectives, business plan and budget and ensuring any necessary corrective action is taken;
- Appointing and dismissing the Chief Executive Officer of AFSA and other members of the Executive Body;
- Regularly reporting (at least annually) to the Council and the Governor on AFSA's activities;
- Reviewing and approving the financial statements of AFSA, not less than once a year;
- Appointing AFSA's external auditors;
- Adopting AFSA's rules and regulations concerning financial and related services and any other matter within AFSA competence;
- Approving (and agreeing on any revisions to) the AFSA corporate governance code, code of ethics and business conduct, and internal policies of AFSA;
- Determining and approving, at least annually, the types and threshold values for transactions that should be approved by the Board and approving those transactions;
- Taking part in determining the values and culture of AFSA and overseeing their communication, implementation and enforcement; and
- Exercising, within AFSA's competence, other powers established by decisions of the Council and/or the Governor.

Composition of the Board of Directors

The Board consists of a Chairman, non-executive and executive members. For the period spanning 1 January through to 12 December 2021, it consisted of 9 members¹ of the Board: 8 non-executive members, including Mrs Angela Knight, Mr Akash Deep, Mr Daniel Heller, Mr Gregory Tanzer, Dr Iain Saville, Mr Marc Holtzman, Mr Marat Aitenov and Mr Masood Ahmed and one executive member, Mr Mukhtar Bubeyev. Dr Saville resigned of his own accord on 12 December 2021, thus the composition of the Board has changed. Starting from 13 December 2021, there are 7 non-executive members and one executive member.

¹ 7 out of 9 members served as independent non-executive directors, who are free from any business or other relationships which could materially interfere with or appear to affect the exercise of their judgement and have not been previously involved in the management of AFSA or the AIFC. The term of (re)appointment of a Board member or the Chairman is three (3) years and the maximum number of terms of (re)appointment is three (3) except in exceptional circumstances when a Board member may be (re)appointed more than three (3) times. The Non-Executive Directors do not have service / employment contracts with AFSA but instead, have letters of appointment.

As of December 2021, each director's roles and date of appointment as a member of the Board is shown below:

Name	Positions held	Date of appointment / re-appointment
1. Marc Holtzman	<ul style="list-style-type: none"> Chairman of the AFSA Board 	17 November 2018 - a member 1 January 2021 – a Chairman
2. Angela Knight	<ul style="list-style-type: none"> Deputy Chairman of the Board Chairman of the Audit and Risk Committee of the Board Member of the Nomination and Remuneration Committee of the Board 	23 May 2020 (2 nd term)
3. Akash Deep	<ul style="list-style-type: none"> Member of the Audit and Risk Committee of the Board 	22 May 2020 (2 nd term)
4. Daniel Heller	<ul style="list-style-type: none"> Member of the Legislative Committee of the Board 	February 2019
5. Gregory Tanzer	<ul style="list-style-type: none"> Chairman of the Legislative Committee of the Board Member of the Audit and Risk Committee of the Board 	23 May 2020 (2 nd term)
6. Iain Saville*	<ul style="list-style-type: none"> Member of the Audit and Risk Committee of the Board Member of the Nomination and Remuneration Committee of the Board Member of the Legislative Committee of the Board 	20 May 2020 <i>*Dr Saville resigned on his own accord on 12 December 2021</i>
7. Masood Ahmed	<ul style="list-style-type: none"> Member of the Audit and Risk Committee of the Board Member of the Nomination and Remuneration Committee of the Board Chairman of the Nomination and Remuneration Committee of the Board starting from 1 October 2020 	28 May 2020 (2 nd term)
8. Mukhtar Bubeyev	<ul style="list-style-type: none"> Chief Executive Officer 	October 2020
9. Marat Aitenov	n/a	1 January 2021

Composition of the Committees of the Board of Directors

The Board of Directors has created three internal Committees that have both consulting and advisory functions:

- The Audit and Risk Committee
- The Nomination and Remuneration Committee
- The Legislative Committee

All committees are established by Board Resolutions. These Committees report to the Board at every meeting, through their respective Chairmen (appointed by the Board), on the most significant matters that they have addressed.

Audit and Risk Committee (ARCo)

The Audit and Risk Committee is chaired by Mrs Angela Knight and comprises three other members: Mr Akash Deep, Mr Gregory Tanzer and Mr Masood Ahmed.

The role of the ARCo is to review and monitor the integrity of AFSA's financial statements and, when appropriate, make recommendations to the Board on risks, internal controls and compliance. It is also responsible for making recommendations to the Board on the appointment of AFSA's external auditors and for approving the terms of engagement for, and the fees to be paid to, AFSA's external auditors.

The ARCo meets regularly with the Executive Body and with the internal and external auditors to review the effectiveness of AFSA's risk management and internal controls systems. Other matters are raised in regular reports to the Audit and Risk Committee and the financial statements of AFSA before these are put to the Board.

Nomination and Remuneration Committee (RemCo)

The Nomination and Remuneration Committee is chaired by Mr Masood Ahmed and comprised two other members, Mrs Angela Knight and Dr Iain Saville. Dr Saville resigned of his own accord on 12 December 2021.

The primary function of the RemCo is to advise the Board, the Executive Body and the Governor about recruitment and severance policies and practices to enable AFSA to recruit and retain directors, executives and employees at all levels, at a cost that is commensurate with the resource requirements of AFSA, its budget and market conditions.

Legislative Committee (LegCo)

The Legislative Committee is chaired by Mr Gregory Tanzer and comprised two other members, Dr Iain Saville and Mr Daniel Heller. Dr Saville resigned of his own accord on 12 December 2021.

The LegCo is responsible for making recommendations on discharging AFSA's policy-making and legislative functions within AFSA's competence and responsibilities pursuant to the Applicable Law of the AIFC.

Overview of Key Outcomes of Work of the Board of Directors

- Approved and held the Executive Body accountable for the implementation of KPIs for 2021 through examining Executive Body Reports in February, August, October and December;
- Reviewed the effectiveness of AFSA's risk management and internal controls systems, and monitored the integrity of AFSA's financial statements with the assistance of the Audit and Risk Committee;
- Endorsed the Risk Statement of AFSA's Risk Management Policy for 2021;
- Approved KPMG Audit LLP as external auditor of AFSA for a 3-year period from 2020 to 2022 and internal auditor of AFSA;
- Reviewed the financial statements for the year that ended 31 December 2020 and the six months that ended 30 June 2021;
- Reappointed Mr Michael Howard as the AFSA Ethics Ambassador effective from 12 December 2021;
- Strengthened the regulatory framework by the Board's approval, pre-approval or consideration of the following:
 - The AIFC Currency Regulation Framework;
 - Enhancement of the Legal Entities Framework;
 - Review of the Legislation for Banking Business and Prudential Framework in the AIFC;
 - The AIFC Multilateral and Organised Trading Facilities Framework;
 - Enhancement of the Digital Assets Framework;
 - Enhancement of the AIFC Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Rules (AML) per FATF Recommendations;
 - The AIFC Economic Substance Rules per OECD requirements;
 - Amendments to AFSA's Corporate Documents.

Member Profiles



Mr Marc Holtzman

Independent non-executive member of the Board
Chairman of the Board

Mr Marc Holtzman is the Chairman of Bank of Kigali, the largest Bank in Rwanda. Previously he headed KazKommertsBank in Kazakhstan, Meridian Capital HK and served as Vice Chairman of Barclays Capital and as Vice Chairman of ABN Amro Bank. Mr Holtzman also currently serves as a member of the Board of Directors of TeleTech and Bank of Kigali, the world's leading provider of analytics-driven technology-enabled services and FAT Brands, a global franchisor of leading restaurant brands.



Mrs Angela Knight CBE

Independent non-executive member of the Board
Deputy Chairperson of the Board
Chairperson of the Audit and Risk Committee

Mrs Angela Knight is Independent non-Executive Director at Taylor Wimpey Plc, Arbuthnot Latham Ltd, Encore Capital Group Inc. and chair of its Nomination and Governance Committee, Provident Financial PLC and Chair of its Group Risk Committee, Warden of the Worshipful Company of International Bankers and Chair of Pool Re.

She has served on a number of other UK company boards and has been the CEO of Energy UK, the British Bankers' Association, and the Association of Private Client Investment Managers and Stockbrokers, and Chair of the Office of Tax Simplification for HM Treasury.



Mr Gregory Tanzer

Independent non-executive member of the Board Chairman of the Legislative Committee

Mr Gregory Tanzer is a qualified solicitor and barrister with extensive financial regulator experience in Australia. He serves as director at Financial Counselling Australia Ltd and Financial Counselling Foundation Ltd, Strategic Advisor at Promontory Australia, a Division of IBM. He served as a Commissioner of the Australian Securities and Investments Commission and Secretary-General of the International Organisation of Securities Commissions.



Mr Masood Ahmed

Independent non-executive member of the Board Chairman of the Nomination and Remuneration Committee

Mr Masood Ahmed currently serves as President of the Centre for Global Development and is a board member at Nutrition International and International Rescue Committee. He has previously held several positions in the International Monetary Fund and served as Director-General for Policy and International Development at the UK Government's Department for International Development. Mr Ahmed has also held various positions at the World Bank.



Dr Akash Deep

Independent non-executive member of the Board

Dr Akash Deep is Senior Lecturer in Public Policy at Harvard University's John F. Kennedy School of Government. He has served as Senior Economist at the Bank for International Settlements in Switzerland and has been a consultant and expert for the World Bank, the International Finance Corporation, the United Nations, the European Bank for Reconstruction and

Development, the Asian Development Bank, the Inter-American Development Bank, and the International Centre for Settlement of Investment Disputes.



Mr Daniel Heller

Independent non-executive member of the Board

Mr Heller is a digital currency and fintech specialist. Mr Heller is head of Regulatory Affairs at Fnality International and member of the Board at Bitlumen GmbH.

He was head of financial stability at the Swiss National Bank, head of the Secretariat of the Committee on Payment and Settlement Systems at the Bank for International Settlements, and Executive Director for Switzerland, Poland, Serbia, Azerbaijan, and four Central Asian republics (including Kazakhstan) at the International Monetary Fund.

He received his PhD from the University of Bern. Mr Heller's academic publications are on the optimal design of bond auctions, demand for central bank money, collateral requirements for over-the-counter (OTC) derivatives clearing and the future of money.



Dr Iain Saville CBE

Independent non-executive member of the Board

Dr Saville was an independent non-executive director and chairs the risk committee of European Central Counterparty N.V. He had a varied career for 20 years in the Bank of England. Dr Saville served as an independent Advisor and Director to the European Central Bank for 5 years on the design and delivery of the EU's securities settlement system, TARGET2. Previously, he was the founder and CEO of CREST (UK-based central securities depository) and an Executive Director of Computershare.

Mr Marat Aitenov

Non-executive member of the Board



Mr Marat Aitenov is a Managing Director on GR and PR at Sovereign Wealth Fund Samruk-Kazyna JSC. He has work experience in the Ministry of Justice of the Republic of Kazakhstan, Ministry of Economy and Budget Planning of the Republic of Kazakhstan, Development Bank of Kazakhstan, National Welfare Fund Samruk-Kazyna. He has extensive experience in law-making activities for Kazakhstani legislation.

Mr Aitenov headed the legal group on the development and adoption of the AIFC acts of general applications, which are the legal basis of the centre, its bodies and participants.

Under the co-ordination of Mr. Aitenov, the work on establishing the Court and the International Arbitration Centre of the AIFC, the Legal Advisory Council of the AIFC and other Bodies was carried out.



Mr Mukhtar Bubeyev

Executive member of the Board

Mr Mukhtar Bubeyev has been serving in the capacity of the Chief Executive Officer of the Astana Financial Services Authority (AFSA) since 9 July 2018.

Mr Bubeyev is a qualified professional in banking supervision and financial services sector. Previously, he headed banking supervision at the Financial Markets Supervision Agency of Kazakhstan and National Bank of Kazakhstan. He also served as board member of Kazakhstan's central bank responsible for monetary policy. Mukhtar joined AFSA as a Chief Policy Officer in January 2017.

EXECUTIVE BODY

Role of the Executive Body

The Executive Body is the operating body of AFSA and is responsible for the implementation of strategic decisions set by the Board. It is also responsible for ensuring control and supervision over the enforcement of AIFC Acts through the regulation of financial services and managing day-to-day activities. The Executive Body may also exercise any other powers, as set out by resolutions of the AFSA Board and the AIFC Regulations and Rules.

The members of the Executive Body including the CEO are appointed and dismissed by the Board. The Executive Body is chaired by the CEO, who acts on behalf of and represents AFSA in relations with other organisations.

Powers and functions of the Executive Body:

- Carry out the day-to-day operations of AFSA;
- Develop and submit for adoption by the Board within its competence strategies, policies, regulations and rules;
- Implement the strategy approved by the Board and decisions of the Board;
- Develop and deliver the strategic objectives identified by the Board;
- Prepare the draft financial statements, draft business plans and the annual budget and annual reports of the AFSA, submitting them to the Board for approval;
- Form committees of the Executive Body to consider specific issues, if necessary;
- Oversee the establishment of effective risk management and control systems;
- Exercise any other powers and functions, as set by decisions of the Board and/or the AIFC Regulations and Rules.

Overview of key decisions

Executive Body members, including the CEO, meet regularly as often as is necessary and at least once per month to discharge their duties effectively. It reviews and pre-approves all regulations and rules, as well as regulatory material before submission for approval to the AFSA Board of Directors.

During 2021, the Executive Body members met to discuss and approve (or pre-approve) various issues, including, inter alia:

- Reports of the Executive Body Committees, divisions and internal auditor;
- Amendments to the Charter of the Board of Directors, Charter of the Executive Body and Terms and Reference of the Nomination and Remuneration Committee of the Board of Directors;
- Amendments to the AIFC legal acts on Anti-Money Laundering (AML) issues;
- Pre-approval of the Rules on Substantial Presence of AIFC Participants, applying tax incentives for the payment of Corporate Income Tax, Value Added Tax;
- Pre-approval of the Rules on Currency Regulations and Provision of Information on Currency Transaction in the AIFC;
- Approval of the Financial projections template as part of the Application for Regulated Activities;
- Approval of the Amendments to the Manuals for Preparation of Returns;
- Approval of the Manual for Preparation of Returns for Insurance; Intermediaries and Insurance Managers;
- Approval of the Procedure on On-site supervision;
- Approval of the revised AFSA Fintech Lab Supervision Manual;
- Pre-approval of the enhancement to the Legal Entities Framework – AML/CFT amendments into the AIFC Foundations Regulations and the AIFC Non-Profit Incorporated Organisation (NPIOs) Regulations;
- Pre-approval of the Supervisory Policy Statement on AFSA’s approach to Branch supervision;
- Pre-approval of the MTF/OTF Framework;
- Pre-approval of the amendments to the AML Rules;
- Approval of Guidelines on Supervisory Review and Evaluation Process (SREP).

Executive Body Committees

The Executive Body may form committees to consider specific issues. During 2021, three such committees operated in AFSA:

Authorisation, Waivers and Modifications Committee	The objective of the Committee is to assist the Chief Executive Officer of AFSA in exercising responsibility and power to consider and render decisions and directions in respect of applications:
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- a) for a licence or recognition to carry out any regulated activity provided for in or under the AIFC Financial Services Framework Regulations (Framework Regulations); and/or
- b) to modify or waive any provision of Rules issued under the Framework Regulations, by providing reasoned advice, guidance and recommendations in respect of the same.

Committee on Authorisation of Fintech Lab Applicants The objective of the Committee is to assist the members of the Executive Body responsible for FinTech in exercising responsibility and power to consider and render decisions and directions in respect of applications to the FinTech Lab.

Enforcement Committee The objective of the Committee is to assist the Executive Body of AFSA in exercising its responsibility. The Committee has the power to consider and render decisions and directions in respect of specific issues related to enforcement investigation.

Member Profiles



Mr Mukhtar Bubeyev

Chief Executive Officer²

Mr Mukhtar Bubeyev has been serving in the capacity of the Chief Executive Officer of AFSA since 9 July 2018.

Mr Bubeyev is a qualified professional in banking supervision and financial services sector. Previously he headed banking supervision at the Financial Markets Supervision Agency of Kazakhstan and National Bank of Kazakhstan. He also served as board member of Kazakhstan's central bank responsible for monetary policy. Mukhtar joined AFSA as a Chief Policy Officer in January 2017.

² Mr Mukhtar Bubeyev ceased his duties as CEO due to appointment as non-executive member of AFSA Board of Directors effective from 17 March 2022.



Ms Aizhan Zhantayeva

Chief Operations Officer

Ms Aizhan Zhantayeva joined AFSA in March 2018 as Managing Director and Chief Operations Officer.

Ms Zhantayeva has more than 15 years of work experience in government bodies, corporate companies, start-ups and the national companies JSC National Agency for Export and Investment and JSC Corporation for Export Development and Promotion. She worked as Adviser to CEO in the AIFC Authority and director of Human Resources at both the National Bank of Kazakhstan and ATF Bank.



Mr Gareth Ling

Chief Regulatory Officer

Mr Ling is an experienced regulator and compliance professional, having worked for over 20 years in a senior capacity in regulatory bodies such as the (former) UK Financial Services Authority, the Qatar Financial Centre Regulatory Authority and the Dubai Financial Services Authority. Following this, Mr Ling spent 10 years in the private sector, first heading Compliance and Financial Crime functions for Barclays Bank PLC in both Qatar/QFC and then Dubai/DIFC, and then as Société Générale's Regional Head of Compliance & Financial Crime for the Middle East (based in Dubai), from which he joined AFSA. Mr Ling has a Joint Honours degree in Politics & Economics.

After ten years in the private sector, Mr Ling returned to the regulatory world with AFSA. From 7 December 2020 Mr Ling was appointed Chief Regulatory Officer of AFSA.



Mr Nurkhat Kushimov

Registrar of Companies

Mr Kushimov joined AFSA as the Registrar of Companies in May 2019 and since 1 January 2021 has been a Member of the AFSA Executive body responsible for FinTech.

Mr Kushimov has extensive experience in senior positions in financial market regulation. He started his career at the AIFC in 2018 at the Astana International Exchange (AIX), where he oversaw matters relating to the regulation of issuers and IPOs of Kazakhstan's and international companies. Over the years, he has held various leadership positions in the civil service, including the ministries of justice and interior.

A Bolashak graduate, he holds an LLM degree from the University of Cambridge, Faculty of Law (2013).



Mr Ishaq Burney

Chief Legal Officer

Mr Burney is the Chief Legal Officer and the Managing Director of Policy and Strategy at the Astana Financial Services Authority since April 2021.

His experience, over two decades, spans disputes, corporate and regulatory law in Australia and the Middle East across all facets of corporate and financial services transactions and regulation. He has led major strategic and legislative projects and several high-profile financial markets enforcement and takeover matters in his career.

Mr Burney holds postgraduate degrees in law and management from the University of Queensland, the University of Melbourne and the University of Oxford (distinction). He is a regular speaker at public and

regulatory forums and lectures in corporate governance and financial regulation.

Mr Burney is an experienced governance professional and a Fellow of the Governance Institute of Australia. He is also a CEDR accredited mediator.

PART 2: KEY PERFORMANCE AREAS

2. REGULATORY FRAMEWORK

POLICY DEVELOPMENT

In 2021, AFSA's policy and legislative development efforts focused on market applicability, international standards, and direct connection to the overall AIFC strategy, including under following three categories: (1) domestic cross-jurisdictional matters; (2) core regulatory projects with reputational implications; and (3) projects on development and enhancement of legislation (for more details please see the section "Legislative Initiatives of 2021"). AFSA has been able to achieve these enhancements while preserving the durability and sustainability of its legal framework and will continue work in 2022 to build on the progress made.

Legislative developments and amendments focused on expanding, strengthening and enabling markets as well as ensuring the smooth operations of AIFC participants. Uncertainty, especially within the domestic fields, was addressed and the level of co-operation and partnership built with the relevant bodies was key in this. In areas where external co-operation is required AFSA hopes to continue to foster relationships that provide overall economic advancement.

The Regulatory Map below depicts what financial services are currently covered and those which are to be covered in the near future*:

Shares	CAPITAL MARKET	Multilateral and Organised Trading Facilities		Trusts	ASSET MANAGEMENT	Private Equity Funds		General Insurance Contracts	INSURANCE	Captive Insurance (3rd parties)
Debentures				Foundations						
Warrants				Self-managed Funds				Long-Term Insurance		
Certificates		Derivatives		Listed Funds		Real Estate Investment Trusts		Captive Insurance (only for the Group to which it belongs)		
Structured Products				Overseas Listed Funds		Islamic Investment Fund		Reinsurance		
Units										
Investments Exchange		Commodity Exchange								

Clearing House					Foreign Fund Manager			
Deposits	PRIVATE BANKING	Long-Term Insurance	Unrestricted PSIA	ISLAMIC FINANCE	Family Takafu	Digital Asset Trading Facility	FINTECH	E-money and Payment Services
Bank Accounts		Investments	Restricted PSIA		Islamic Captiv	Loan Crowdfunding Platform		Mobile (Digital) Banking
Credits		Investment Consulting	Providing Islamic Financing		Investments in shariah manner	Investment Crowdfunding Platform		Venture Capital
Credit Facilities		Custody Services	General Takafu					Electronic commerce
Money Services								

* yellow shading indicates financial services that are not yet regulated by AFSA.

LEGISLATIVE INITIATIVES OF 2021

1. Domestic Cross-Jurisdictional Projects

Currency Regulation and Information Exchange Rules in AIFC. In 2021 AFSA completed a series of workstreams and negotiations with the National Bank of the Republic of Kazakhstan (NBK) and the Agency for Regulation and Development of the Financial Markets of the Republic of Kazakhstan (ARDFM), with the involvement of all main stakeholders including the Governor, the AIFC Authority, the Astana International Exchange Ltd (AIX) and AIFC participants. The rules incorporate the following conditions: (1) AIFC participants will be able to provide some financial and professional services in foreign and national currencies to residents of Kazakhstan; (2) AIFC participants may conduct export-import operations through second-tier banks of Kazakhstan; (3) Currency exchange operations with the national currency must only be implemented through second-tier banks regulated by the NBK; (4) AIFC banks may carry out some transactions in the national currency through their correspondent bank accounts in second-tier banks of Kazakhstan; (5) AIFC banks may provide export-import operations only through second-tier banks; and (6) Export-import operations of AIFC participants nominated in the national currency may only be implemented through second-tier banks of Kazakhstan. The Act was signed on 10 November 2021 by both the AIFC Governor and the NBK Governor.

2. Core Regulatory Risk Projects with Reputational Implications

Review of the AIFC Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Rules (AML). To prepare for the second round of Mutual Evaluation

of Kazakhstan in 2022 by the Eurasian Group on Combating Money-Laundering and the Financing of Terrorism (EAG), AFSA reviewed the AML/CFT framework of the AIFC. A review of the framework identified enhancements for the AIFC AML/CFT regime and to the AML/CFT laws of Kazakhstan. As Kazakhstan's FATF Mutual Assessment is scheduled for 2022, these amendments were carried out as a matter of priority. The amendments were approved and published in December 2021.

Development of the Economic Substance Rules in the AIFC. AFSA introduced the Rules on the Substantial Presence of AIFC Participants Applying Tax Exemptions for the payment of Corporate Income Tax and Value Added Tax. According to the Rules, AIFC participants enjoying tax benefits for the payment of corporate income tax and value added tax must confirm their presence in the AIFC. This is corroborated by implementing requirements in relation to core income-generating activities in the AIFC, and by ensuring that the expenses incurred, and the number of full-time employees involved are commensurate with the volume of activities.

Adoption of the Rules is an important step towards ensuring that the AIFC is compliant with global transparency standards for tax purposes and that the AIFC jurisdiction is not used for harmful tax practices. In January 2017, Kazakhstan joined the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) under which it commits to comply with the minimum four standards contained in OECD Action 5, including Harmful tax practices. To comply with this standard and prevent tax base erosion and profit shifting, the AIFC has implemented the "substantial presence" Rules in this new Act.

3. Projects on Development/Enhancement of Legislation

AIFC MTF/OTF Framework. As a continuation of the proposal to develop a regulatory framework for agricultural receipts in the AIFC from agricultural industry professionals received earlier this year, AFSA drafted the Multilateral and Organised Trading Facility (MTF/OTF) Framework. It allows various trading entities to carry out intermediary activities in the market with the use of instruments for multiple underlying assets. This standalone rulebook is designed to be highly inclusive, as even small and medium-sized enterprises and individuals will be able to access the opportunities presented by capital markets, thus creating a viable alternative to traditional financing through banks.

Enhancement of the AIFC Digital Assets Framework. AFSA made amendments to the AIFC Authorised Market Institutions Rules (AMI) in order to ensure greater client protection for buyers of Digital Assets. The amendments will also facilitate access for Authorised Digital Asset Trading Facilities (crypto exchanges) to local banking services, licenced and regulated by the National Bank of Kazakhstan (NBK) and the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market.

Policy Plan for the Introduction of ESG Disclosure Requirements in the AIFC Green Finance Framework. The project targets the development of Environmental, Social and Governance (ESG) disclosure guidelines for AIX listed companies. The overall objective of the project is to encourage regulated communities and stakeholders to harmonise their activities with Kazakhstan's sustainability priorities. As a result, AFSA supported the recommendations to introduce an ESG reporting framework within 5 years according to the following phased approach: (1) Short-term (1 year): introduction of voluntary disclosure requirements in the AIX Market Disclosure Rules through issuance of ESG Reporting Guidelines; (2) Mid-term (1-3 years): introduction of amendments to the AIFC Market Rules to include corporate governance best practice standards on a "report or explain" basis. Additional amendments may be considered to the AIFC Collective Investment Scheme Rules to introduce ESG standards at the fund-managers level; and (3) Long-term (5 years): introduction of certain mandatory requirements relating to a number of AIFC and AIX Rules to shift ESG disclosure requirements to a "comply or explain" basis. The mid- and long-term recommendations will be reconsidered based on how the market responds to the short-term voluntary measures.

Enhancement of the Legal Entities Framework. AFSA enhanced the Legal Entities framework in the AIFC in order to support a more business-friendly environment and align the requirements and conditions for legal entities in the AIFC with practices in model international jurisdictions. These latest amendments relate to extending powers of Board of Directors, clarity of "allotment" and "issue" concepts, providing standard constitutional documents available for more legal entities, and adding new audit requirements for Private Companies, Limited Liability Partnerships and Non-Profit Incorporated Organisations (NPIOs) as part of their obligations to the Registrar of Companies. Additionally, AFSA addressed new AML/CFT requirements for NPIOs and Foundations, amendments to the status of Directors and both online and offline registration fees.

Amendments and Enhancements to the AIFC Banking Business Framework.

With the purpose of aligning the AIFC Banking Business Framework with best practice jurisdictions and making certain provisions clearer, AFSA initiated amendments to the definition of “Credit Providers”, which previously did not have to comply with the AIFC Banking Business Prudential Rules. A six-month transition period was provided to existing Credit Providers for compliance with the amendments enacted in December 2021.

COMMITMENT TO INTERNATIONAL STANDARDS

One of the most important priorities of AFSA’s international affairs agenda in 2021 has been to align the AIFC regulatory framework with best practice international standards of financial services regulation. Specifically, AFSA’s priority was to undertake self-assessments against international standards to integrate best practices into the regulatory regime of the AIFC. AFSA’s contribution to global standard-setting activities has also seen positive developments through active service on various committees and working groups.

International Organisation of Securities Commissions (IOSCO)

AFSA joined IOSCO as an Associate Member on 20 April 2018 and since then has been co-operating with IOSCO as part of its long-term commitment to the organisation’s mission. In order to ensure further alignment of the AIFC regulatory framework with IOSCO standards and principles, AFSA focused on the following initiatives during 2021:

- **IOSCO’s Objectives and Principles of Securities Regulation:** In 2021, AFSA undertook a benchmarking of the regulatory framework against IOSCO’s objectives and principles of securities regulation following the self-assessment in 2020. The work proposed the introduction of amendments to the AIFC regulatory framework in 2022 – 2023, subject to needs assessments and work priorities.
- **Contribution to Standard-Setting:** AFSA continued serving on the Committee on Issuer Accounting, Disclosure and Auditing (C1), which is one of the standard-setting committees of IOSCO, as well as on five other IOSCO committees and working groups. AFSA staff members participated as instructors in IOSCO’s Technical Assistance Workshop on Enforcement matters (19-20 October).

- Research Activities: AFSA contributed to two IOSCO surveys and research initiatives to facilitate the adoption of new and enhanced standards.

International Association of Insurance Supervisors (IAIS)

In 2018, AFSA became a member of IAIS, a global standard-setting organisation on supervision of the insurance sector. Aligning the AIFC regulatory framework with the IAIS Insurance Core Principles (ICPs) corresponds with AFSA's strategic objectives.

To further develop the regulatory framework in accordance with IAIS standards, AFSA focused on the following priorities in 2021:

- IAIS ICPs: To ensure compliance with the IAIS standards and principles, AFSA conducted a self-assessment against ICPs 1 -10 in 2021. This will help to introduce corresponding amendments to the AIFC regulatory framework in 2023 – 2024.
- Insurance Core Principle 9-10. AFSA participated in the IAIS Peer Review Process (PRP) for ICP 9 - 10, which focuses on conduct of business pending an official report from the IAIS.
- Contribution to Standard-Setting: AFSA continued serving on one of the IAIS governing committees, the Implementation and Assessment Committee (IAC), as well as the Signatories Working Group and Financial Inclusion Forum. Representatives of AFSA were assigned as a lead validator on applications for the IAIS Multilateral Memorandum of Understanding, a global benchmark for regulatory co-operation in insurance markets and as a co-ordinator for the IAIS MMoU in the Central and Eastern Europe, Transcaucasia Region (CEET).
- Research Activities: AFSA contributed to 2 IAIS surveys to facilitate the adoption of new and enhanced standards.

Islamic Financial Services Board (IFSB)

The IFSB develops and sets global standards for the management, regulation and supervision of Islamic banking, capital markets and insurance. The development of regulations and rules in accordance with IFSB standards creates a strong regulatory framework in the field of supervision of Islamic financial institutions.

As part of integrating IFSB standards into the regulatory framework of the AIFC, AFSA pursued the following priorities in 2021:

- IFSB Standards Implementation Survey: AFSA participated in a self-assessment exercise against IFSB standards, which demonstrated compliance of AIFC regulations and rules with the standards and principles of Islamic finance regulation.
- Contribution to Standard-Setting: in 2021, AFSA enhanced its contribution to IFSB activities. In particular, a senior staff member was elected to serve on the Technical Committee, a body responsible for advising and making recommendations to the IFSB Council on draft prudential and supervisory standards. AFSA staff members continued serving in four working groups of the IFSB and contributed to the shaping and adoption of regulatory standards (Working Group on the Recovery and Resolution Plan of Institutions Offering Islamic Financial Services; Working Group on the Core Principles for Islamic Finance Regulation (Takaful Segment); Working Group on the Disclosure to Promote Transparency and Market Discipline for Takaful/Retakaful Undertaking; Working Group on the Revised Capital Adequacy Standard for IIFS).
- Research Activities: AFSA contributed to an IFSB survey to facilitate the adoption of new and enhanced standards.

Organisation for Economic Co-operation and Development (OECD)

AFSA continued with workstreams on strengthening a regulatory framework for financial services that is compliant with the highest standards of transparency and information exchange for tax purposes. AFSA worked closely with the OECD and State Revenue Committee of the Ministry of Finance of Kazakhstan to develop a regulatory framework consistent with international standards. This joint co-operation developed the following outcomes:

- Prevention of Harmful Tax Practices: AFSA continued close work with the Committee on State Revenues of the Ministry of Finance of Kazakhstan and the OECD on integration of regulatory provisions to prevent harmful tax practices in the AIFC.
- Automatic Exchange of Information (AEOI): AFSA continued discussions with the State Revenue Committee of the Ministry of Finance of Kazakhstan

on final procedures to enact AEOI standards, which were fully integrated into AIFC legislation as of 2019.

Eurasian Group on combating money laundering and financing of terrorism (EAG)

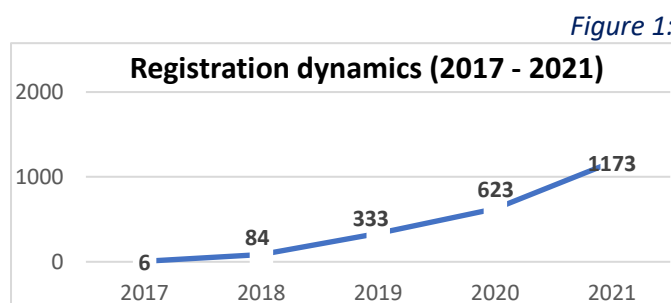
The EAG is a FATF-style regional group for the countries of the Eurasian region created to combat money laundering, reduce the threat of international terrorism and ensure the security of the financial systems of states and their further integration into the international infrastructure for combating money laundering and terrorism financing (AML/CFT).

Following technical assistance received from the Asian Development Bank (ADB), AFSA obtained an independent third-party review of the AIFC's compliance with FATF recommendations. Throughout 2021 AFSA has completed and submitted a technical compliance questionnaire to EAG as part of the Mutual Evaluation of Kazakhstan, including the AIFC, to be held during 2022.

3. REGISTRATION

Registration Dynamics

The number of registered firms reached 1,173 by the end of 2021 (Figure 1), representing an 89% increase compared to the 2020 population of AIFC Participants. Year-end outcomes indicate an ongoing trend of new firms choosing the AIFC as their jurisdiction.



There has been a rapid increase in registration dynamics in 2021, demonstrating the recovery of the business environment post pandemic, with the highest registrations falling in the third and fourth quarters of 2021 (Chart 2).

Overall, the AIFC registered 550 new participants during 2021, which is 89% higher than the 290 firms registered in 2020. On average AFSA registered 14 firms per week by the end of 2021 with the registration figures below providing high-level statistics by types of activities (Table 1).

Figure 2:

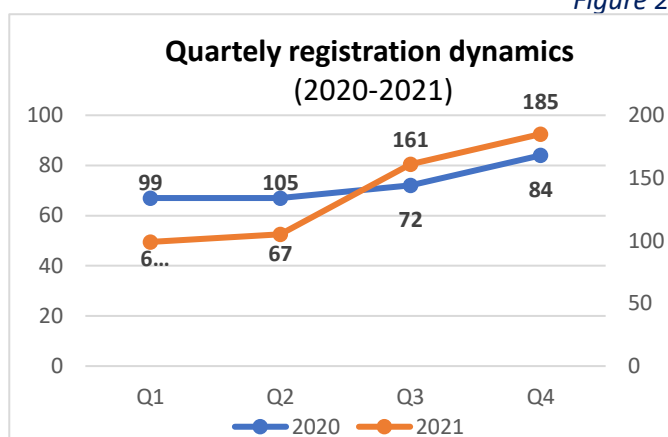


Table 1: Number of AFSA registered firms

by year

	Number of firms				
	2017*	2018	2019	2020	2021
Authorised activities**	4	39	84	57	53
Financial Activities	-	9	12	14	24
Ancillary Services	-	24	59	35	19
FinTech Lab	3	5	13	7	10
Authorised Market Institutions	1	1	-	1	-
Non-financial activities	2	39	165	233	497
Total***	6	78	249	290	550

* for the period of the last three months of 2017 since the inception of AFSA

** please note that registration statistics in relation to authorised activities may differ from authorisation statistics as presented in the Authorisation and Recognition section of this report. This is because in exceptional circumstances firms obtain registration certificates before obtaining a licence for performing financial services. For accurate data on authorised persons please refer to the Authorisation and Recognition section of this report.

*** please note that beginning 1 January 2022, Recognised Non-AIFC Members (RNAMs) and Recognised Non-AIFC Market Institutions (RNAMIs) have been excluded from registration statistics as the legal definition of the AIFC Participant does not extend to RNAMs and RNAMIs.

Breakdown by Business activity

A breakdown of the data by business activity indicates that non-financial activities have been dominant in 2021 (Figure 3), comprising 90% of all activities, while regulated activities (financial, market, and ancillary services) comprised 10%.

Most of the non-financial firms are mainly engaged in conducting and providing IT services, cryptocurrency mining, data processing and hosting activities, agricultural, manufacturing, non-profit activities, activities of holding companies and other non-financial activities.

Geographical Coverage

475 firms (41% of the total number) registered and recognised in the AIFC involve foreign investors (Figure 4), representing 60 foreign countries, including Australia, Austria, Bosnia and Herzegovina, Bahrain, Belize, China (incl. Hong Kong), Cyprus, Czech Republic, Cayman Islands, Egypt, Estonia, Finland, France, Georgia, Hungary, India, Italy, Latvia, Lithuania, Malaysia, Netherlands, Russian Federation, Singapore, Republic of Korea, Switzerland, Turkey, UAE, Ukraine, UK, USA and other countries.

Post-Registration Activities and Monitoring

Figure 3:

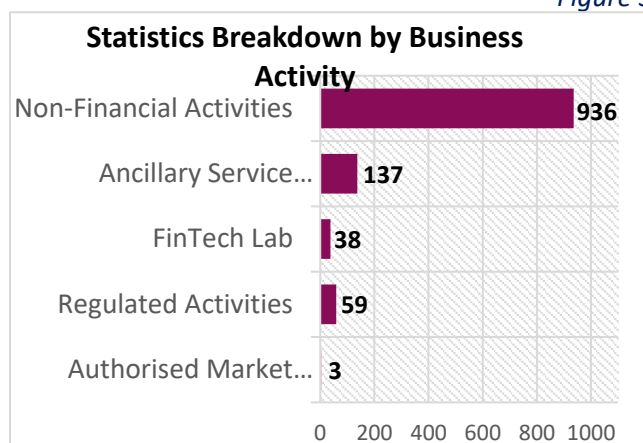


Figure 4:

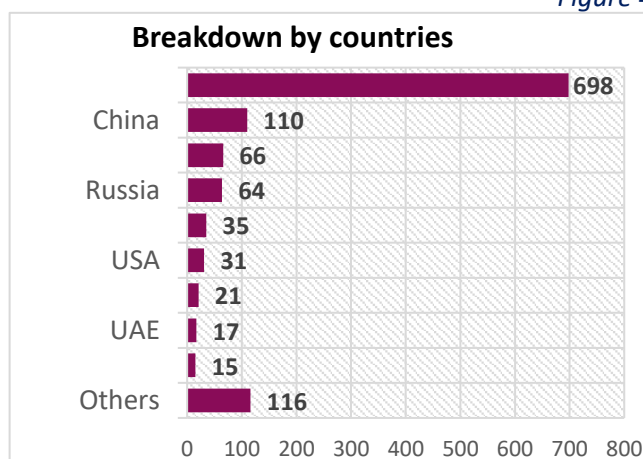
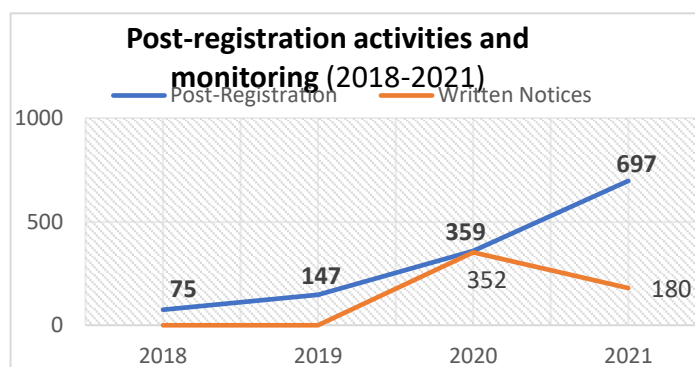


Figure 5:

Over the last year, significant work was done in relation to post-registration activities and monitoring (Figure 5). The number of completed post-registration applications for 2021 is 697, which is a two-fold increase compared with 2020.



Post-registration activities

include all activities related to change in registered details, such as a change of director, registered address, transfer of shares, amendments to the articles of association (charter or partnership agreement) as well as providing extracts from the registers of the Registrar of Companies. Monitoring of AIFC Participants helped to ensure that AIFC participants remained compliant with the rules administered by the Registrar of Companies. AFSA sent 180 Written Notices in relation to overdue annual accounts filings and debts to participants during the last year.

Usability of AIFC Corporate Law

2021 further demonstrated the advantages originating from using AIFC corporate law. As business activities of AIFC participants expanded and have become more sophisticated, AIFC participants have for the first time used mechanisms provided by the AIFC legislation to structure their business as follows:

Scheme of Arrangement. Over the last year, there were 2 cases of cross-border re-organisation between AIFC Participants and the legal entities incorporated under the Law of Kazakhstan using the Scheme of Arrangement mechanism. In both cases an AIFC Participant became the legal successor to a Kazakhstani legal entity whilst the latter had wound up.

Alteration of a Company type. The first case on alteration of a company type has now been successfully completed. As a result of such alteration, a Private Company was converted into an Investment Company after receiving AFSA Written Consent approved by the Authorisations Committee.

Mergers & Acquisition. The first case of re-organisation between AIFC Participants was successfully completed in September 2021. As a result of the re-organisation, involving 3 AIFC participants, 1 AIFC Participant became a legal

successor to another 2 participants, which had wound up at the end of the re-organisation process.

Liquidation. Over 2021 one case of voluntary winding up completed.

4. AUTHORISATION AND RECOGNITION

2021 saw an increased number of applications and approvals for regulated activities (financial services) compared to 2020. This speaks favourably of the AIFC's growing attractiveness for financial services firms from around the region and the world. For example, the number of authorised firms has doubled, with 23 new firms obtaining a licence to perform regulated activities in AIFC (11 in 2020). Applications for providing Ancillary Services remain strong and the decrease in volumes is likely to be attributable to the fact that many Ancillary Service Providers have already registered with the AIFC during its first three years of operation, and further growth in their numbers will most likely be a function of the number and range of financial services firms that become established over time.

Overall, there continues to be a significant number of applications to AFSA for a range of activities as the AIFC continues to expand in terms of the scope and depth of activities undertaken within it (see Tables 2 & 3).

Table 2: Year-on-year statistics

	2018	2019	2020	2021
Inquiries				
<i>Number of applications received</i>	55	93	77	50
Total number of firms authorised				
Authorised Firms, including:	4	12	15	28
<i>Licensed</i>	4	9	11	22
<i>Approved In-Principle</i>	-	3	4	6
Ancillary Service Providers	23	59	39	21
Authorised Market Institutions	2	-	-	1
Recognised Non-AIFC members	21	8	5	1
Recognised Non-AIFC Market Institutions	-	2	-	-
Approved Individuals	21	26	75	109

Table 3: Cumulative figures

	2018	2019	2020	2021
Authorised Firms Licensed	4	13	24	46

<i>Authorised Firms Approved in Principle</i>	-	3	4	6
Authorised Market Institutions Licensed	2	2	2	3
Ancillary Service Providers Licensed	23	82	118 ³	137 ⁴
Recognised Non-AIFC Members	21	27 ⁵	27 ⁶	28
Recognised Non-AIFC Market Institutions	-	2	2	2
<i>Approved Individuals</i>	21	47	112	209

Authorised and recognised entities

In 2021, the authorisation process was enhanced due to efficiency and processing improvements in the review process concerning the relevant AIFC Participants (for more details please see the **Streamlining of Authorisation Process** section). Authorised Firms, licenced to perform regulated financial services comprised 22% of the regulated community (46 firms), while ancillary services providers comprised 65% of all regulated firms.

Authorised Firms

Investment Business. AFSA observed increased interest in investment business in the AIFC in 2021. Seventeen firms out of twenty-two licenced firms were authorised to carry out regulated activities in investment business services. These firms will mainly provide advisory and arranging services, fund and asset management activities, trading and brokerage activities, and crowdfunding. These Authorised Firms include both established firms (or their subsidiaries) and start-ups.

Islamic Finance. In 2021, AFSA issued its first licence to an Islamic Bank in the AIFC and authorised a new start-up entity to carry out the Regulated Activity of Providing Islamic Financing.

Banking Business firms. In 2021, AFSA licenced two banks, which include one “digital bank” and one Islamic Bank as mentioned above. In addition, there were two Credit Providers, one of them being an Islamic Finance firm.

Approved Individuals and Other Key Individuals

AFSA recommended the approval of 133 key individuals (109 Approved, 24 Approved In-Principle) for the purposes of undertaking Controlled Functions in 2021. To ensure that the appropriate risk and conduct culture is embedded in

³ In 2020 three ASP licences were withdrawn

⁴ In 2021 two ASP Licence were withdrawn

⁵ In 2019 two RNAM statuses were revoked

⁶ In 2020 five RNAM statuses were revoked

Authorised Firms, AFSA makes an objective assessment of the people that will manage firms' businesses to ensure they have the right skills, expertise and experience to fulfil their roles to the standard expected by AFSA.

Ancillary Service Providers

In 2021, AFSA authorised 21 Ancillary Service Providers compared to 39 in 2020. These included 13 consulting firms (17 in 2020), 2 legal firms (12 in 2020) and 6 Audit firms (3 in 2020). Following AFSA's review of their applications, it approved the Ancillary Service Providers to render a wide range of services, including Management Consulting, Regulatory Consulting, Company Service Providers, as well as Legal, Accountancy and Audit Services.

Recognised Non-AIFC Members

Through AFSA's recognition regime, a brokerage company from Kazakhstan was granted Recognised Non-AIFC Member status in order to join the AIX in 2021.

Streamlining of the Authorisation Process

To simplify the authorisation process, ease entrance to the AIFC and further assist AIFC Participants throughout licensing, AFSA took the following measures:

- 1) To introduce a standardised approach to improve the structure and quality of financial forecast submissions, AFSA developed a 'financial projections template' with detailed instructions according to the nature of the different Regulated Activities being applied for. Relevant revisions have also been introduced to both the *standard* and *simplified* Application Forms for carrying out Regulated Activities.
- 2) Application forms were amended to cover newly introduced Regulated Activities of 'Opening and Operating Bank Accounts' and 'Operation of a Payment System'.
- 3) Drafting and approval of jurisdictional analyses have also been initiated, the purpose of which is to have a robust and consistent approach in determining which entities from which jurisdictions may operate in the AIFC through a branch office. This work also supports AFSA's assessment work when reviewing applications from prospective RNAMs, RNAMIs, Recognised Foreign Fund Managers and Equivalent Recognised Exchanges. A programme of jurisdictional assessments continues to be undertaken according to demand.
- 4) As part of the development of both the Fund Registration process and the increase in interest from Foreign Fund Managers, a new cross-

divisional or virtual “Funds Group” was introduced. This unit aims to ease and simplify the process for dealing with the creation, registration and approval of new funds in the AIFC established by both new and existing Authorised Firms, as well as the growth in potential Foreign Fund Managers that may manage them.

- 5) AFSA continues its work towards the digitalisation of licensing processes for Regulated AIFC Participants through the AIFC’s Digital Resident Portal.
- 6) Throughout the year, AFSA also conducted or undertook explanatory work on the regulatory regime in the AIFC for various interested parties to raise awareness and understanding of the AIFC and AFSA.

5. SUPERVISION AND ENFORCEMENT

PRUDENTIAL SUPERVISION

AFSA’s approach to prudential supervision aims to ensure that the financial firms it supervises hold sufficient capital for their business and have adequate risk controls in place. As the financial services markets in the AIFC have grown during 2021, and more authorised firms have commenced their operations, AFSA has implemented a prudential supervision programme to oversee them. Results from initial supervisory assessments indicate that regulated firms have had a positive start to commencing their businesses in the AIFC and look set to successfully continue with their business development plans in the future (Table 4).

Table 4: Prudentially Supervised Firms’ Statistics

	Banks	Investment firms	Insurance firms	Total
2021	10	28	2	40
2020	4	11	2	17
2019	3	5	2	10

Prudential regulation mainly focuses on the financial stability of all Authorised Firms (except Rep Offices) by monitoring whether their financial resources and reserves are sufficient to cover potential losses. The ultimate objective is to protect savers, investors and insured persons. While micro-prudential supervision is concerned with single or specific financial firms, macro-prudential supervision looks at the overall picture and aims to preserve the stability of the nascent financial system in the AIFC as a whole. Thus, AFSA’s prudential

supervision primarily deals with the quantitative assessment of a firm's performance whilst incorporating a risk-based system of checks and balances. As of 31 December 2021, AFSA prudentially supervised 12 “higher impact” firms (such as banks and insurers), which is up from 6 such firms since the end of 2020. The number of investment companies significantly increased from 11 to 27.

The nascent banking sector in the AIFC now consists of 10 banks, including 3 branches and 4 credit providers. Three of the banks became operational in 2021 and four are in the process of being established. The prudentially supervised investment sector consists of 27 firms, 7 of which are active. The insurance sector has remained the same over 2021.

Table 5 shows an increase in the assets of each AIFC regulated sector in 2020. The banking sector has grown significantly over the year with assets more than doubling by the end of 2020.

Table 5: Annual changes in financial assets in the AIFC by sector (in USD 000s):




	Banks	Investment firms	Insurance firms	Total
01.01.2022	1,020,665	32,683	18,612	1,071,960
<i>change (Y-Y')/Y'</i>	<i>156%</i>	<i>253%</i>	<i>8%</i>	<i>152%</i>
01.01.2021	398,567	9,263	17,303	425,133
01.01.2020	212,478	16,34	15,836	244,654

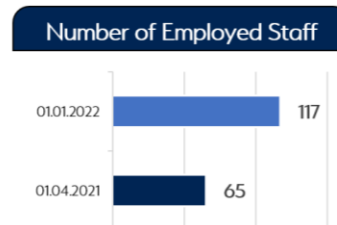
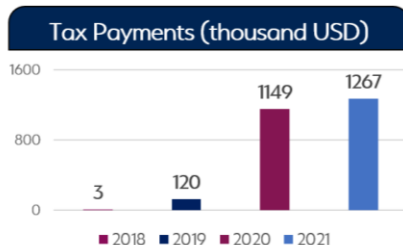
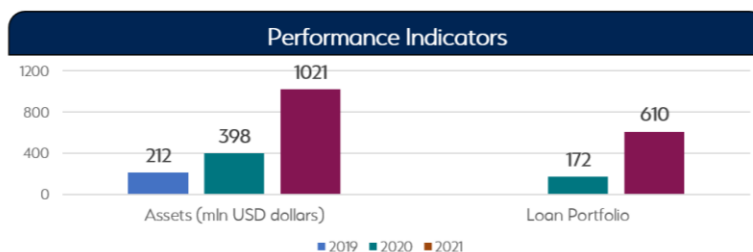
The infographics below (Figure 6) provide additional information, sector-by-sector, on financial market volumes and assets, number of firms, and geography of financial services offerings, as well as positive externalities such as the number of jobs created and taxes paid to Kazakhstan's national budget by AIFC financial firms.

Figure 6:

Banking Business

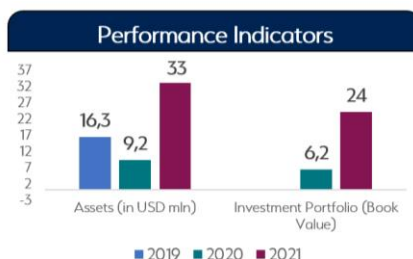
Banking business firms	
Branches	3
Banks	3
Representative offices	2
Credit provider	3
Providing money services	1
Total	12

Geography of Loans (mln USD)		
	China	\$519
	Kazakhstan	\$80
	Uzbekistan	\$10

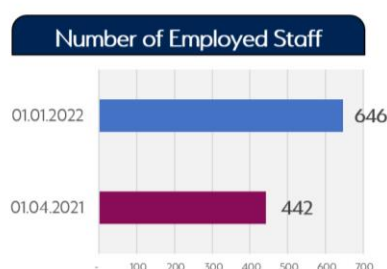
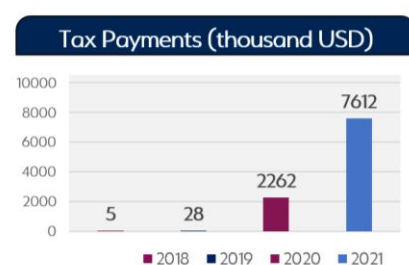


Investment Business

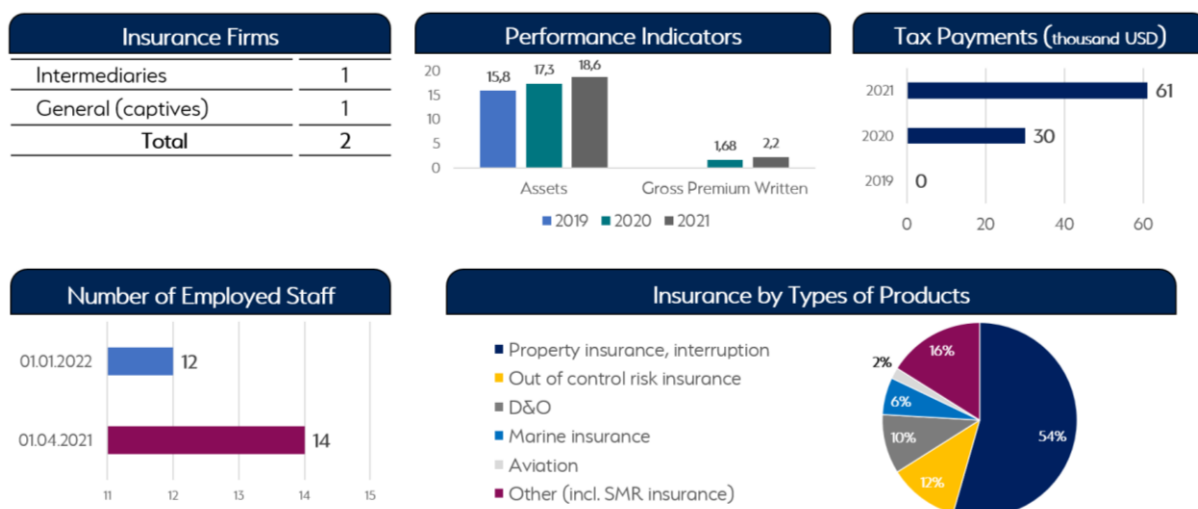
Investment Firms	
Asset managers	16
Brokers-dealers	8
Investment firms	4
Representative offices	4
Total	32



Geography of Investments (mln USD)		
	Kazakhstan	\$22,5
	China	\$0,1
	USA	\$0,5
	Jersey	\$0,7



Insurance Business



Off-Site / On-Site Supervision

Overall, AFSA has been actively engaged in applying risk-based supervision throughout 2021. In particular, the supervisory focus has been on implementing the Supervisory Review and Evaluation Process (SREP) approach in prudential supervision of regulated higher impact firms, such as banks and certain large investment firms. It has also focused on adjusting the Risk Profiling and Early Warning System tools to assess firms' risk profiles. Prudential supervision builds its ongoing assessment of firms' risk profiles based on these supervisory tools.

AFSA's quarterly prudential supervisory reviews ensure constant monitoring of risk zones in Authorised Firms' activities or risks that they face, or might face, and facilitates the identification of any gaps or deficiencies (including any opportunities for improvement in aspects of regulation or supervision). Such monitoring, assessments and risk identification provides grounds for deciding which firms will need to be subject to inspection and when.

Conversely, certain supervisory practices made it possible for firms to optimise much of their commercial potential and ensure they could capture business opportunities. For instance, the application of waivers and modifications concerning liquid assets requirements and risk exposure calculations were among the more flexible regulatory measures that provided support or relief in some respects to AIFC banks during the year.

Businesses in the AIFC continued to grow and expand during the period. As the AIFC saw a significant increase in the number of investment firms, including firms managing collective investment schemes, AFSA has introduced a

“portfolio-based” prudential supervision approach of investment firms with similar characteristics to allow a more sector-focused oversight.

Effectiveness of the 2020 Supervisory Relief Measures

In response to the COVID-19 crisis, in September 2020 AFSA initiated the following relief measures by issuing modifications to reduce the negative impact of the pandemic on AIFC participants: (1) optimisation of Base Capital Requirements for Authorised Firms, including Banks, Credit Providers, Insurers, Insurance Intermediaries and certain types of Investment Firms; and (2) optimisation of the Liquid Assets Requirements for certain types of Investment Firms.

Before 1 October 2021, AFSA’s relief measures preserved, or at least appeared not to inhibit in case of their absence, the growth of the AIFC financial sector during the pandemic.

Development of Supervision Systems

During 2021, as part of implementing the SREP approach in prudential supervision, AFSA approved guidelines on the implementation of SREP following the conclusion of the introduction and testing period.

In addition, AFSA developed and approved a Supervisory Policy Statement on its approach to branch supervision, which sets out general expectations that underpin AFSA’s ability to effectively supervise firms operating through branch offices in the AIFC that are part of international groups and/or headquartered overseas. Applying this Supervisory Policy Statement based on the experience of the Prudential Regulatory Authority of UK will provide an objective approach to simplifying prudential supervision of branch offices of non-AIFC incorporated firms.

Throughout 2021 AFSA actively engaged in providing contributions to working groups established with the NBK and ARDFM on the development of national amendments concerning the status of AIFC Authorised Firms with respect to the services they propose, or wish to provide, to potential clients located in the Republic of Kazakhstan. The adoption of the “AIFC Rules on currency regulation and provision of information on currency transactions in the AIFC” in 2021 is the first step in this engagement. These efforts will continue to be discussed over 2022 with both the NBK and ARDFM in terms of mutual implementation

arrangements as well as further proposed development and scope of the above currency rules.

Among the aforementioned supervision developments, 2021 saw a number of amendments to manuals for the preparation of returns for authorised firms that were introduced to meet supervisory goals and collect more comprehensive data alongside conducting respective workshops for Authorised Firms. Enhancements and efficiencies to the practical implementation of certain internal processes were implemented, including approaches to “online on-site” supervision, processes for the modification and withdrawal of a licence, and reviews of Approved and Designated Individuals’ statuses. Guided by CRM “proof of concept” approaches, AFSA further developed, enhanced and digitalised the supervision and monitoring of prudentially supervised firms.

In the current fast-changing business environment, AFSA constantly reviews its approach to conducting supervisory activities. To that end, AFSA will continue to benchmark itself with the latest and best international practices and recognised international standards. During 2021, AFSA took on the role of “benchmark regulator” in providing technical assistance to the National Bank of Ukraine by conducting a workshop dedicated to how AFSA implements the Core Insurance Principles of the IAIS.

FINANCIAL CONDUCT SUPERVISION

Financial conduct supervision is a part of AFSA’s integrated system of regulation, whereby AFSA assesses, monitors and mitigates conduct risk across the full range of Authorised Firms in the AIFC.

AFSA supervises all ancillary service providers (ASPs), such as law firms, accountancy firms, registered auditors, credit rating agencies and certain types of consultancy firms. Until 30 September 2021, the Financial Conduct Division led AFSA’s AML/CFT work including implementing and enforcing the AML/CFT Rules as well as their further development and other measures in preparation for the FATF-EAG Mutual Evaluation of Kazakhstan.

As part of financial conduct supervision, AFSA authorises any additional activities for existing Authorised Firms, including the oversight and supervision of requirements imposed at the initial licensing stage and subsequently. This includes ongoing oversight of fitness and propriety in relation to senior

management and designated functions of Authorised Firms and ASPs. In digitalising the supervisory process during 2021, AFSA integrated the process of collecting Conduct Returns via the AFSA's Customer Relationship Management (CRM) system

As of 31 December 2021, AFSA regulated 46 Authorised Firms and 137 ASPs for the purposes of financial conduct supervision (Tables 6 & 7 below).

Table 6: Number of different firms regulated by AFSA by year.

	2019	2020	2021
AUTHORISED FIRMS	13	24	46
<i>Banking</i>	2	4	6
<i>Investment Business</i>	4	11	28
<i>Insurance Business</i>	2	2	2
<i>Representative Office</i>	5	6	6
<i>Leasing/Credit Business</i>	0	1	2
<i>Providing Money Services</i>	0	0	1
<i>Islamic Finance</i>	0	0	1
ANCILLARY SERVICES PROVIDERS	82	118	137
<i>Consulting Services</i>	45	60	73
<i>Legal Services</i>	26	38	40
<i>Accountancy Services</i>	6	13	13
<i>Audit Services</i>	3	5	9
<i>Credit Rating Services</i>	2	2	2

Table 7: Summary of conduct supervision activities in 2021 (Year-end figures):

	Number Conducted
<i>Off-site monitoring of Authorised Firms according to Risk-Mitigation Plan</i>	25
<i>Off-site monitoring of ASP firms according to License conditions</i>	16
<i>On-site periodic (routine) inspection of Authorised Firms</i>	1
<i>Thematic review of Authorised Firms (client classification, suitability etc)</i>	19
<i>Thematic review of AML/CFT Systems and Controls</i>	76
<i>Thematic review of Registered Auditors' compliance with AFSA's Audit rules</i>	5
<i>Waivers and modifications of AFSA's rules and requirements</i>	3
<i>Variations of Licences</i>	2
<i>Suspension of Licences for a period of 12 months</i>	7
<i>Withdrawal of Licence at a firm's request</i>	4
<i>Approval of Approved Individuals</i>	14
<i>Reviews of Designated Individuals</i>	9
<i>Issue of written consent for establishment of a fund</i>	5

System of Conduct Supervision

Supervisory Toolkit. AFSA constantly works to enhance the use of its existing supervisory tools as well as develop new tools. This is important in ensuring that AFSA meets its Regulatory Objectives as specified in the Financial Services Framework Regulations, including:

- (1) protecting the interests of investors and users of financial services;
- (2) ensuring that the AIFC's financial markets are fair, efficient, transparent and orderly; and
- (3) fostering and maintaining confidence in the AIFC's financial system and regulatory regime.



Authorised Firms and their employees are routinely exposed to conduct of business supervision procedures as part of the application of supervisory tools aimed at assessing the various risks to which they are exposed. In doing so, AFSA ensures that financial services firms operating in the AIFC meet, and continue to meet, the standards of conduct expected of them.

Regulatory Returns

Conduct supervision tools also include a regulatory reporting framework to ensure the efficiency and effectiveness of office-based monitoring of regulated entities' activities in the AIFC. Part of the above now includes new Conduct Returns being submitted from Q3 2021 providing more granular data on the types and numbers of clients as well as the activities undertaken for them.

On-Site Periodic Inspections

Following the easing of pandemic measures in Q3 and Q4 of 2020, AFSA has been able to commence supervisory onsite inspections to the Authorised Firms

that it supervises, prioritising those reviewed on a risk-based and impact-driven basis.

Thematic Reviews

At the end of December 2021, AFSA initiated a Thematic Review on “Client Classification” and “Suitability & Appropriateness”. This work will be continued during the first part of 2022.

ANTI-MONEY LAUNDERING SUPERVISION

In its unwavering commitment to anti-money laundering (AML) and countering terrorism financing (CFT), AFSA has strengthened its AML capacity by establishing a separate division, the Anti-Money Laundering Division (AML Division) within the Regulatory Office. The new division is responsible for AML/CFT oversight of both regulated firms (authorised firms, authorised market institutions and ancillary service providers) as well as unregulated firms in the AIFC that are exposed to AML/CFT risk. This latter group includes those types of unregulated businesses that are defined by the Financial Action Task Force (FATF) as Designated Non-Financial Bodies & Professions (“DNFBPs”) as well as other types of business or activity under the Kazakhstan AML Law where super-equivalent to FATF.

The AML Division has been operating with a full staff complement since its inception on 1 October 2021, and it acts within the powers and authority set out in the relevant AIFC Acts and Rules.

AFSA, therefore, has the power to supervise, monitor and ensure compliance by AIFC Participants with requirements to combat money laundering, including the authority to conduct inspections. It is both a firm-specific support function to the Supervision divisions and a sector-wide holistic AML function with respect to all aspects of AML oversight, supervision and assurance across all AIFC Participants.

The supervisory departments, specifically the Financial Conduct Division, Prudential Division, Capital Markets Division and the FinTech Lab Division (“FTL”) will remain primarily responsible for the firms that they process, supervise and oversee in relation to AML. At the same time the AML Division will act as (a) an advisory resource to the supervisory divisions of AFSA, (b) as an available resource to conduct more in-depth reviews as and when required, and

(c) as the relevant “AML Supervisory Authority” for unregulated DNFBPs that operate within the AIFC, including those considered as DNFBPs under FATF requirements as well as national legislation.

Since its inception, AMLD has taken over the AML/CFT work that was formerly being undertaken by the Financial Conduct Division up until 30 September 2021, primarily in anticipation of increased work intensity as the Mutual Evaluation against FATF recommendations. This is done in appreciation of the fact that the Mutual Evaluation is expected to gather momentum during 2022 and beyond, as well as in recognition of the wider responsibilities of AFSA in relation to unregulated firms that are regarded as DNFBPS.

Key Objectives, Engagement Areas and Priorities

Throughout 2021 the following objectives guided AFSA in the area of AML/CFT: (1) Bring about AIFC-wide AML oversight and supervision; (2) Ensure effective implementation of the AIFC AML framework and its ongoing improvement; (3) Establish support and co-operation mechanisms for AFSA’s Supervision and Authorisations divisions; and (4) Strengthen inter-agency co-operation and the international dimensions of the AIFC AML framework.

Preparation for the FATF-EAG Mutual Evaluation was prioritised in anticipation of the peer-review process in 2022. AFSA and the Agency for Financial Monitoring of the Republic of Kazakhstan (AFM) have formalised co-operation by entering into a Memorandum of Understanding in order to unite efforts on AML/CFT in Kazakhstan and work together in preparing for the mutual evaluation. By the end of 2021, AFSA submitted its inputs to the EAG’s questionnaire as the mutual evaluation process kicked off.

AFSA organised several public outreach events to raise awareness of the AIFC community and relevant stakeholders in mainland Kazakhstan on AML/CFT compliance matters. For example, these included the AFM-EAG Seminar on Virtual Assets Service Providers in October 2021 and AFSA’s Town Hall in November 2021.

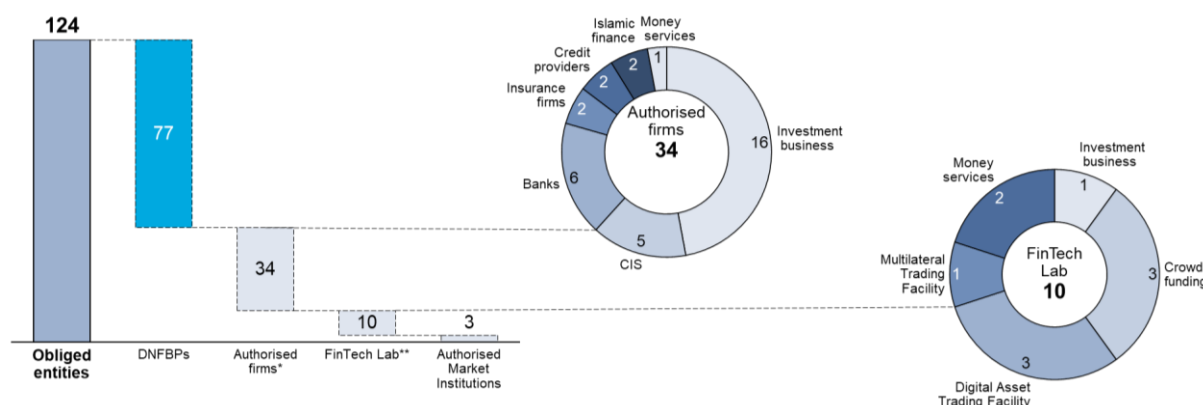
AFSA-AFM co-operation has intensified in 2021 through cross-sharing workshops, events, visits and exchanges of experience.

Overview of Firms Supervised for AML/CFT Purposes

Overall, 124 AIFC firms were subject to financial monitoring for AML supervision purposes (see Figures 7 & 8 below). While Authorised Persons (Authorised Firms

and Authorised Market Institutions) and FinTech Lab participants require more attention in the context of AML supervision, DNFBPs were the largest group subject to AML monitoring. The top three groups among the Authorised Firms are investment business firms, banks and collective investment schemes.

Figure 7: AIFC firms subject to financial monitoring for AML compliance



* other than Rep Offices and one Authorised Firm whose licence is suspended for 12 months

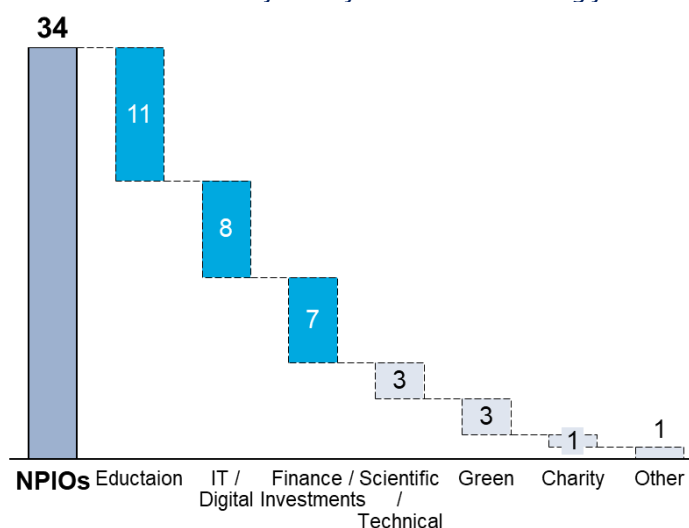
** only live firms

Figure 8:

NPIOs subject to financial monitoring for AML

The top three groups in the FinTech Lab were represented by crowdfunding, digital asset platforms and money services firms.

In addition to the 124 supervised firms, 34 Non-Profit Incorporated Organisations (“NPIOs”) were supervised for purposes of AML compliance. These NPIOs mostly focus on educational, IT and finance-related projects, which constitute the top three types of activities.



CAPITAL MARKETS OVERSIGHT

During 2021, AFSA continued its engagement with other capital markets regulators both domestically (within Kazakhstan) and internationally (with IOSCO and member states of the Eurasian Economic Union). From the local

perspective, AFSA has remained focused on developing and deepening working relationships with the NBK and the ARDFM.

Supervision of Authorised Market Institutions

AFSA continued to primarily focus on the oversight of two Authorised Market Institutions: the Astana International Exchange Limited (AIX) and the Astana International Exchange Central Securities Depository Limited (AIX CSD).

AFSA continued working closely with both the AIX and the AIX CSD in reviewing new issuances that the AIX admits to its Official List, trading, clearing and market surveillance. To improve efficiency, avoid duplication, and generally improve levels of compliance through simplification and streamlining of certain requirements, AFSA worked on optimising the respective approach and oversight of issuers and RNAMs between the AIX and AFSA.

The supervisory function of AFSA facilitated and/or enabled the following:

- changes in the leadership structure of the AIX;
- waivers and modifications of rules in the areas of relief to the AIX and issuers having to appoint AIFC-located process agents for the physical service of formal documents;
- approval of the AIX Business Rules enabling direct listing service, certain concessions for public sector issuers and the introduction of different conforming changes/enhancements;
- approval of the AIX CSD Business Rules enabling recording of security interests over AIX CSD-held securities;
- determination of both the Toronto Stock Exchange and Frankfurt Stock Exchange (General Standard and Prime Standard segments) as Equivalent Regulated Exchanges for Securities and Listed Funds.

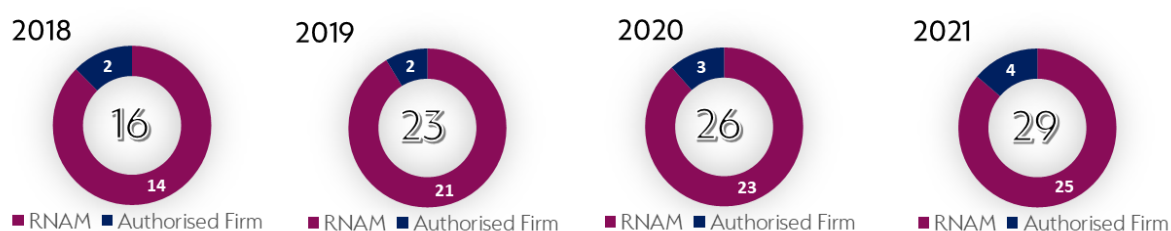
AFSA actively reviewed different business initiatives of the AIX and AIX CSD such as the launch of the AIX Qazaq Index, the AIX CSD enhanced settlement model and its REPO project.

Following the easing of pandemic measures in Q3 and Q4 of 2020, AFSA commenced supervisory onsite inspections of the Authorised Market Institutions that it supervises. Supervisory approaches and use of onsite and off-site techniques will be deployed in 2022 according to how Covid-19 infection rates and associated countermeasures may change further.

Recognised Non-AIFC Members (RNAMs)

The number of non-AIFC entities that have been admitted to membership of the AIX in 2021 grew slightly, and at a rate similar to 2020 (Figure 3). Current trading members total 29 firms, 25 of which are RNAMS and 4 of which are Authorised Firms established within the AIFC. The RNAMS include firms that are licensed as brokerage firms based in Kazakhstan, the United Kingdom, China, Czech Republic, Russia, Hong Kong and Cyprus.

Figure 9: Statistics of trading members on AIX



During 2021, in order to streamline the submission of annual reports and ongoing notifications to resolve certain duplicative reporting issues, AFSA issued a Notice on 17 February 2021 allowing RNAMs admitted as Members of the AIX to file annual reports and certain ongoing notifications to the AIX only, who in turn will provide this information to AFSA. AFSA is currently working on legislative changes towards making this approach to RNAMs a permanent arrangement between the AIX and AFSA.

Regulatory Support in Times of COVID-19

In June 2021, AFSA made a class Rule modification in relation to the extension of the deadline for making annual and semi-annual reports for reporting entities due to the need to align these deadlines with the London Stock Exchange's (LSE) new relief measures concerning dual LSE-AIX listed entities. For equitability, a class waiver was granted to all issuers on the AIX, should they happen to require the extra time for preparation, review and audit of their reports and financial statements due to the ongoing coronavirus pandemic.

ENFORCEMENT

AFSA expanded its enforcement role in 2021 to include not only case referrals of AIFC registered companies, but also to be responsible for Speaking Up and Ethics issues.

In 2021, AFSA handled seven case referrals, five of which have been finalised and two remain under investigation. The majority of cases related to non-financial companies registered for other activities in the AIFC. In 2021, AFSA issued three 'Cease and Desist' letters to companies offering authorised activities without being authorised. Additionally, one private warning and one public awareness notice was issued warning consumers that the company in question was not authorised by AFSA to offer financial services.

AFSA continues its efforts to ensure transparency, fairness and consistency in the Enforcement process and ensures that Centre participants are aware of AFSA's approach to enforcement investigations. AFSA Enforcement Policy is a public document and is available on the website.

One client complaint was reported and investigated. The matter did not amount to a complaint with substance and no enforcement action was taken.

Efforts to liaise with the regulators have continued, and AFSA brought one case to their attention and the attention of law enforcement agencies. A Memorandum of Understanding has been drafted and sent to the Anti-Corruption agency, to further progress and formalise relations between the Anti-Corruption Agency of Kazakhstan and AFSA and underline our commitment to maintaining the integrity of companies registered in the AIFC.

In 2021, AFSA appointed Michael Howard, Head of Enforcement, as the Ethics Ambassador and hosted several workshops to reinforce the AIFC Code of Ethics with AFSA staff. This appointment will continue in 2022.

PART 3: ENCOURAGING INNOVATION AND SUPPORTING PERFORMANCE PRIORITIES

6. PROMOTING FINTECH INNOVATION IN THE AIFC AND BEYOND

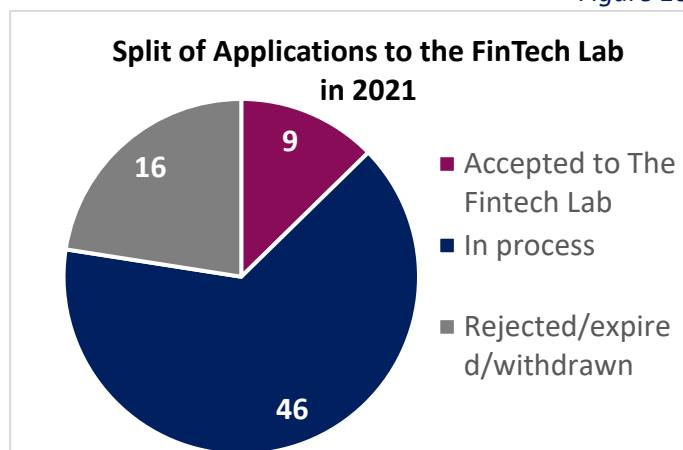
Helping Firms Innovate with the FinTech Lab

Now in its fourth year, AFSA's FinTech Lab continues to support the introduction of innovation to the financial market and facilitate firms in testing and developing innovative financial products and services under a special regulatory regime with tailor-made regulatory requirements applicable for each individual firm.

FinTech Lab participants are able to obtain individual guidance from the regulator about how the rules apply to new business models and innovative financial services.

Four years of effective functioning has proven the FinTech Lab to be a highly popular destination for financial innovators from all over the world (Figure 10). In 2021, AFSA received and processed 71 applications and accepted 9 firms to the FinTech Lab.

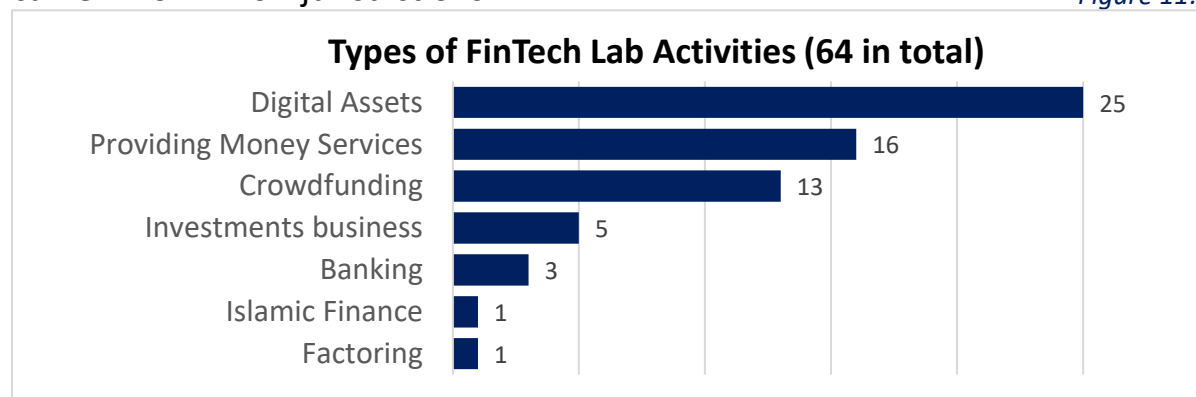
Figure 10:



As part of Global Financial Innovation Network (GFIN) cross-border testing, the FinTech Lab received 10 applications from firms aiming to test innovative financial services and products in multiple jurisdictions and two of them were accepted for testing. After the test plan development phase only one company remained for testing, and it successfully demonstrated its RegTech solution.

By the end of 2021, the FinTech lab had accepted 40 firms, with another 24 applicants recognised as being eligible. As shown below (Figure 11), participants and prospective applicants came from 20 jurisdictions

Figure 11:



offering 7 different types of innovative financial services.

By the end of 2021, 10 FinTech Lab Participants were operating in a live environment mode with clients. They facilitated contracts in loan-based crowdfunding, investments in digital assets and payments amounting to almost USD 23 million. Although the scale of operations of FinTech Lab Participants is

relatively small, the FinTech Lab helps to promote financial inclusion and competition in the market.

Supervision

Due to an increased number of Fintech Lab Participants commencing businesses with clients, the Fintech Lab started revising its supervisory procedures and has implemented additional processes depending on the type of fintech activity (i.e. additional risk-assessment forms). In addition, the Fintech Lab provided case-by-case support to individual Participants to assist in their endeavour of properly commencing business.

DEVELOPMENT OF THE AIFC FINTECH ECOSYSTEM

Government Relationships

AFSA has become part of a working group to promote FinTech innovations along with government authorities and peer regulators in Kazakhstan. The group has been established by the Government, which includes representatives from the NBK, ARDFM, Ministries of Innovation, Justice, Finance, Economy, and Industry and Infrastructure Development, Energy and Blockchain Technologies Association of Kazakhstan. As part of the working group discussions, a roadmap on matters related to opening bank accounts for crypto exchanges at local banks has been developed. Following pilot testing, Digital Asset Trading Facilities licenced in the AIFC will have access to banking services with second-tier banks of Kazakhstan. Given that the investments in Digital Assets expose retail investors to significant risks, including, but not limited to, high price volatility, cyber-attack, protection of retail clients and market manipulation, AFSA introduced limits on buying and trading Digital Assets on the AIFC Authorised Digital Asset Trading Facilities by retail clients.

Policy Development

Guidance on Use of Digital Assets and Securities Token Offerings in the AFSA FinTech Lab (Sandbox). To facilitate better compliance of FinTech Lab Participants with AFSA's requirements and principles in relation to operations with digital assets, AFSA started developing detailed guidance for Participants on operations with digital assets within the FinTech Lab. The guidance will apply to Participants that are authorised to operate an Exchange (by offering securities tokens) or that are licenced as Digital Asset Trading Facilities. The guidance centralises provisions on digital assets contained in AFSA rulebooks

and further clarifies matters such as AML/CFT (including “know-your-transaction” measures), risk disclosures, technology solutions, outsourcing and data protection as well as protection of client assets (money).

Guidance on Information Security in the AFSA FinTech Lab (Sandbox). The purpose of the guidance is to provide clarification on what is expected from FinTech Lab Participants in terms of information security controls. It is divided into two parts, general infosec controls and infosec controls for licensees operating with Digital Assets. The guidance is based on international standard ISO 27001.

Rules for the Pilot Project on Collaboration of Crypto Exchanges with Commercial Banks of Kazakhstan. A roadmap on the development of the crypto industry in the Republic of Kazakhstan was approved in October 2021 by a working group consisting of representatives from the AIFC and state authorities of Kazakhstan. One of the roadmap stages envisages the launch of a pilot project allowing crypto exchanges to operate under AFSA’s strictly controlled environment. At the end of the pilot project (which will last throughout 2022), if necessary, amendments will be made to national legislation, as well as to the acts of the AIFC. The pilot project will allow crypto exchanges to conduct settlement and clearing of exchange transactions with commercial banks, subject to restrictions on investments by retail clients. Once the pilot project rules are completed in 2022, the working group will select eligible crypto exchanges and banks for participation in the actual pilot project.

7. EFFECTIVE AUTHORITY

DIGITALISATION

AFSA continued consistent efforts on digitalisation to further simplify public-facing processes of interacting with AFSA in areas such as registration, authorisation and supervision.

Registration. AFSA developed and tested a number of new business features for the digitalisation of the post-registration process, with the service being ready to roll out by the end of 2021. The functional system includes online procedures for changing existing registration data of participants, which to date has been performed manually.

The CRM and Public Register have been integrated, allowing registered firms to be instantly reflected in the public register located on AFSA's website. Several internal improvements allowed the redesign of automated checks and control of firms during registration.

Digitalisation of the FinTech Lab Application Process. In 2021 AFSA continued expanding functionality of the automated back-office CRM system, which helps manage interactions with applicants in a more effective way. As of the end of 2021, supervision functionality was implemented, and FinTech Lab participants can now apply for Licence modifications and file monthly reports through the CRM.

Digitalisation of Authorisation Process. Further progress in digitalisation allowed the streamlining of certain authorisation applications in 2021. This related to Ancillary Service Providers and for obtaining recognition as an RNAM. These applications are now processed via the CRM.

INTERNATIONAL CO-OPERATION

Throughout 2021, AFSA's international relations and profile have seen progress on multilateral and bilateral relations fronts. Continuous efforts to align with international standards of financial services regulations and further advance the global/regional recognition of AIFC have been prioritised.

Raising AFSA's International Profile

2021 marked significant progression of AFSA's international profile through several initiatives, including (1) the chairmanship in the Group of Banking Supervisors from Central and Eastern Europe (BSCEE), a regional consultative group under the Basel Committee on Banking Supervision; (2) formalisation of co-operation with securities regulators of the European Union through the European Securities and Markets Authority; (3) assumption of the role of Regional Co-ordinator for the IAIS MMoU in the CEET area; and (4) hosting a high-level meeting on Regulatory Co-operation in Central Asia.

BSCEE Chairmanship: AFSA chaired the BSCEE in 2021 for the first time in Kazakhstan's history. The chairmanship programme included hosting the BSCEE Annual Conference between 27-28 May 2021. The conference discussed supervisory priorities in the post-pandemic period, the development of technological solutions in the field of supervision, the acceleration of digitalisation, as well as exchanging opinions around the current situation in the

national banking sectors. In addition, as part of its chairmanship programme BSCEE co-hosted the High-Level Meeting for Europe (5-6 May 2021) jointly with the Financial Stability Institute of the Bank of International Settlements and the Basel Committee on Banking Supervision. AFSA initiated two virtual workshops during its chairmanship: One on the challenges of maintaining banking system safety amidst the Covid-19 crisis, jointly with the International Monetary Fund (on 28 September), and another on the impact of climate-related financial risks on the banking system and financial stability, jointly with the Basel Committee on Banking Supervision (on 17 November).

Alternative Investment Funds: AFSA signed 18 Memoranda of Understanding with European securities regulators concerning co-operation in supervision of alternative investment fund managers under the European Union (EU) directive for Alternative Investment Fund Managers. These agreements set the framework conditions and represent new opportunities for AIFC fund managers to market and manage alternative investment funds, such as hedge funds, private equity and real estate funds to professional investors in relevant countries of the EU, as well as for EU firms to manage or market alternative investment funds in the AIFC.

Regional Co-ordinator for the IAIS MMoU in the CEET Area: AFSA assumed the role of Co-ordinator for the IAIS MMoU in the CEET area to serve as an additional point of contact for IAIS Members. The role supports and facilitates communication between the Members and Leadership of Signatories Working Group and secretariat of the IAIS.

High-Level Meeting on Regulatory Co-operation in Central Asia: A high-level meeting involving financial regulators of the AIFC, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, as well as a number of international financial organisations was held on 3 December 2021. The meeting was an important step towards the implementation of the Joint Statement adopted at the meeting of the Consultative Group of the Heads of Central Asian States, held on 6 August 2021 in Turkmenbashi city (Turkmenistan). The Joint statement underlined the importance of joint development of the financial system and attracting investment to the region. The AIFC was identified as a leading economic platform connecting the countries of the Central Asian region, as well as with foreign investors. The meeting served as a building block towards establishing the groundwork for further regulatory co-operation between Central Asian countries.

Pursuing Multilateral Co-operation

Global Standard Setting Organisations: Pursuant to its commitment to contributing to missions of global standard setting bodies, AFSA continued efforts on ensuring that its regulatory framework is aligned with global standards. Hence rigorous self-assessment exercises have been undertaken in relation to insurance (Insurance Core Principles 1-10) and Islamic finance (IFSB standards) sectors throughout 2021. This has facilitated benchmarking against best standards and further improvement in the AIFC's financial legislation.

AFSA continued its contribution to global standard setting activities of international organisations. Specifically, working under various committees and working groups, AFSA contributes to international activities and participates in research initiatives, including:

- (1) sharing its expertise and participation in various projects through membership in 15 committees and working groups of international organisations. During the reporting period, AFSA provided an increased contribution by joining 1 governing committee (the IFSB Technical Committee) in addition to its ongoing commitment within 14 other committees and working groups;
- (2) contributions to 10 research initiatives and surveys of standard setting bodies throughout 2020, which normally serves as the first step to generating new standards and assessing best practices;
- (3) active participation in various virtual international fora, which facilitated consultations, exchange of experiences and discussions globally among regulators (overall 93 events).

International Development Finance Institutions (IDFIs): As the financial markets of the AIFC have become more significant, AFSA frequently interacts with IDFs on obtaining technical assistance for certain areas of limited expertise. Several prospective technical assistance projects have been prioritised and conveyed for discussion with our partner IDFs.

AFSA held several meetings with the International Monetary Fund (IMF) during the year on cross-jurisdictional issues between regulators of the AIFC and mainland Kazakhstan. Particular emphasis was made on possible risks stemming from AFSA authorised persons' obtaining access to the financial markets of Kazakhstan. Discussions with the IMF continued during the article 4 consultations in November 2021. AFSA will continue consultations with the IMF

as required throughout 2022, including during the upcoming Financial Sector Assessment Program (FSAP).

The project on technical assistance from the Asian Development Bank (ADB) on the evaluation of AIFC legislation compliance with FATF recommendations was completed in 2021. The project allowed identification of areas in AIFC legislation that require further alignment with anti-money laundering and countering financing terrorism (AML/CFT) standards and resulted in a series of amendments introduced by AFSA to the AIFC AML/CFT framework in December 2021. This groundwork will assist the AIFC to better prepare for the Mutual Evaluation of Kazakhstan against FATF standards by the Eurasian Group (EAG) in 2022.

Pursuing Bilateral Co-operation

Cross-Border Regulatory Co-operation: AFSA further strengthened its bilateral relations with peer regulators from Europe and Asia, which enhances its ability to exchange information and experiences with regulators on supervisory issues. In 2021, AFSA entered into 19 bilateral agreements and memoranda, including 17 MoUs on margins of AIFMD, with the following regulators. This has brought the total number of agreements and memoranda concluded by AFSA to 43.

Exchange of Experience with Peer Regulators: AFSA had several bilateral engagements in 2021 directed at sharing experience (Kyrgyz Republic, Russia, Ukraine, Turkmenistan), enhancing cross-border co-operation (ADGM RA and FSRA, Luxembourg) and benchmarking against best practices (Malaysia, Japan). The past year marked a heightened interest in AFSA's activities leading to several sharing sessions with peers about supervisory and regulatory practices and standards of AFSA.

In the reporting period, AFSA received 34 delegations from different countries, including Belarus, Finland, Hungary, Kyrgyz Republic, Montenegro, Netherlands, Saudi Arabia, Spain, Switzerland, Japan, Russia, Turkey, UAE and USA.

PUBLIC COMMUNICATIONS

AFSA continued regular communications with its stakeholders and the public throughout 2021. These included regulatory notices to the public and AIFC participants, news and press releases on adopted rulebooks, guidance and other regulatory material, meetings and public outreach events.

The number of public outreach events has seen a substantial increase in 2021 (50 against 37 in 2020), which were either hosted or attended by AFSA. Public outreach served as an important avenue to raise awareness of stakeholders on various topics, such as the regulatory regime in the AIFC, understanding of regulatory requirements, consumer protection, changes to the rules and regulations, registration and licensing procedures, and combating money laundering. World Investor Week alone, in October 2021, saw over 4,200 participants attend from 20 cities of Kazakhstan and 23 countries of the world (33% higher compared to 2020). A series of webinars, held jointly with the Association of Financiers of Kazakhstan (AFK), were another important outreach initiative, which helped to raise awareness of Kazakhstan's financial community on authorisation requirements, the AIFC regulatory regime, and the operation of banks and investment funds in the AIFC.

AFSA initiated Town Hall meetings with AIFC participants in November 2021 to obtain feedback and engage the business community in a discussion around amendments to the AIFC financial services framework. Inaugural newsletters to AIFC participants, launched by the end of 2021, became an additional push communication tool for engaging with AIFC participants and will continue in 2022. In partnership with several external stakeholders, including the Association of Financiers of Kazakhstan, IOSCO, ESMA, Refinitiv, and the AIFC Academy of Law, AFSA organised several public outreach events.

HUMAN CAPITAL DEVELOPMENT

AFSA Employees: Staff members of AFSA are graduates of universities from Kazakhstan, USA, UK and other European countries. 71% of them hold a master's degree, with 30% being graduates of the Bolashak Presidential Scholarship Programme and 7% graduates of Nazarbayev University. AFSA is committed to providing equal gender opportunities. Overall, female employees accounted for just over 59% of AFSA staff.

Managing Talent: AFSA is highly supportive of, and provides all possible opportunities for, continuous professional development to its employees. Throughout 2021, including during the pandemic, all AFSA employees had access to the FSI Connect learning platform and completed more than 100 courses. Additionally, all employees took advantage of a variety of training programmes through the AIFC Bureau for Continuing Professional Development (BCPD).

Staff Health and Safety in Response to COVID-19: During the pandemic, one of the main priorities for AFSA has been the safety of staff and the prevention of COVID-19. To ensure the health and safety of staff, from time to time AFSA exercised a hybrid mode of working depending on the epidemiological situation and to comply with sanitary safety requirements issued by the Ministry of Healthcare of Kazakhstan. Furthermore, AFSA continued employing a virtual office toolkit, including the ability to digitally sign documents and hold virtual meetings with external parties.

8. KEY INITIATIVES

Digital Resident

In 2021 new functionality for the Digital Resident and CRM systems was implemented. It included three aspects, such as (1) FinTech Lab monitoring; (2) Applications for licence and reporting processes; (3) Launching post-registration events to allow registered firms to perform certain operations online, including the updating of the details of Directors, Ordinary Members, Members of the Council and Authorised Signatories.

World Investor Week 2021

World Investor Week (WIW) is IOSCO's global initiative to raise awareness about the importance of investor education and protection. In 2021, AFSA supported and localised the campaign by holding a dedicated online event themed, "Promotion of Investment Intelligence". AFSA achieved its WIW-related objectives, including: (1) informing about investment opportunities and tools; (2) raising awareness about consumer protection and investment risks; (3) facilitating financial education and financial literacy through smart investing information; and (4) discussion of innovation in financial markets. The online event gathered over 4,200 participants from twenty cities of Kazakhstan and twenty-three countries of the world. WIW in the AIFC assisted participants in gaining a better understanding of the basics of investing, with a particular focus on smart investing, sustainable finance, fraud and scam prevention, financial literacy and education.

BSCEE Chairmanship

December 2021 marked the end of a two-year chairmanship by AFSA in the Group of Banking Supervisors from Central and Eastern Europe (BSCEE) between 2020-2021. Under AFSA's chairmanship, on 27-28 May 2021, the 33rd Annual Conference of the BSCEE was held virtually for the first time. The event discussed supervisory priorities in the post-pandemic period, development of technological solutions in the field of supervision, acceleration of digitalisation, as well as the current situation in the national banking sectors. Mukhtar Bubeyev, Chief Executive Officer of AFSA and Chairman of the BSCEE, and Fernando Restoy, Chair of Financial Stability Institute of the Bank of International Settlements, delivered opening remarks. The event was attended by the top managers of central banks and banking supervisory authorities from 25 countries of Central and Eastern Europe, as well as representatives of the International Monetary Fund (IMF), the Basel Committee on Banking Supervision (BCBS), the Financial Stability Institute (FSI) and the European Central Bank.

During its chairmanship, AFSA prioritised fostering BSCEE-level dialogue and exchange of views on the latest challenges and developments in banking supervision. AFSA co-chaired the BCBS-BSCEE-FSI Europe High-level meeting on banking supervision in May 2021 and initiated a series of two consultative workshops supported by the IMF and the BCBS in September and November 2021.

The BSCEE was established in 1991. The objectives of the regional group are to encourage and maintain close co-operation and communication between its members, serve as a high-level platform for technical discussions, exchange best practices, data and innovative decisions among banking regulators and represent the Central and Eastern European region in a dialogue with the BCBS. The Basel Committee on Banking Supervision consists of banking supervisors from Albania, Armenia, Austria, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan (AIFC), Latvia, Lithuania, Moldova, Montenegro, North Macedonia, Poland, Russia, Romania, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

Strengthening Corporate Governance

AFSA's corporate governance has been significantly strengthened to meet IOSCO and IAIS principles of regulator's independence and ensure accountability to the AIFC Management Council.

The changes in the corporate governance system related to the functioning of the Board of Directors and the Executive Body. Pursuant to the amendments only the Council may dismiss the Board members, while independent non-executive members shall be not less than two thirds of the Board. Another set of amendments determined that the Executive Body shall be accountable only to the Board of Directors, with the Board deciding on the composition of Executive Body and staff limits.

PART 4: CONCLUSIONS

9. LOOKING FORWARD

Policy Development

Going forward, legislative initiatives directed at enabling market opportunities will continue. 2022 efforts will focus on the adoption of new frameworks, such as commodities and virtual assets service providers, as well as enhancing existing frameworks, including currency regulation, asset management and AML.

In implementing its policy initiatives AFSA will be guided by the principles of ensuring market integrity, fair, open and transparent markets and ensuring that the regulatory regime is optimal and conducive for doing business. Additional workstreams will include addressing tax and jurisdiction issues that face AIFC participants, such as substantial presence guidance, redomiciliation, share capital denomination currency and incorporation.

Registration

Next year, registration-related priorities will be centred around enhancing digital processes, monitoring AIFC Participants and collaborating with local

authorities on incorporation matters. Digitalisation will offer global best in class solutions for establishing businesses, smoother post-registration services and an efficient online registration experience. AFSA will collaborate with local government authorities on the following: (1) solving of taxation issues during redomiciliation from the AIFC to foreign jurisdictions; (2) enabling share capital to be indicated in foreign currency, and (3) incorporation of certain specific AIFC legal forms, such as protected cell companies and restricted scope companies. Monitoring of AIFC Participants in respect of participants' compliance with their obligations to the Registrar of Companies will have greater focus.

Authorisation

In 2022, AFSA will aim to continue enhancing its authorisation processes. Further digitalisation of authorisation processes will allow licence applications to be accepted and processed online. Issuance of various guidelines will continue to assist firms throughout the authorisation process and guide them through the regulatory requirements, including: (1) the development of “Perimeter Guidance” for existing and potential AIFC participants in order to clarify the types of activities permitted in the AIFC; (2) drafting and implementing a ‘Guide on Fitness and Propriety’; (3) drafting and implementing a ‘Guide on Competency Assessment for Controlled Functions’; and (4) drafting and implementing a ‘Guide on the Training & Competence Regime for Authorised Firms. To facilitate the transition of foreign firms to AIFC jurisdiction, the Foreign Fund Manager recognition process and regime list of recognised jurisdictions for different types of envisaged services and activities will be introduced.

Supervision

AFSA will exercise its supervisory remit guided by the regulatory objectives in relation to financial stability, consumer protection, market integrity, and efficient and transparent financial markets. Enhancing supervision practices based on the Supervisory Review and Evaluation Process (SREP) within the risk-based supervision approach will continue. Jurisdictional assessment procedures will be adopted and applied to firms operating through branch offices in the AIFC, while being a part of international groups and/or headquartered overseas.

As expansion and growth of financial markets of the AIFC continue, when and to the extent required, AFSA will implement joint regulation on domestic cross-jurisdictional matters. This is an essential element for co-operation between AFSA, NBK and ARDFM to enable AIFC participants to complement the provision of financial services in Kazakhstan. Such endeavours will aim to mitigate financial stability risks, currency risks and prevent regulatory arbitrage.

Achieving a positive outcome from the FATF/EAG Mutual Evaluation of Kazakhstan will be one of the most important AML-related priorities of AFSA in 2021. Ongoing engagement with the Financial Intelligence Unit of Kazakhstan and the Agency for Financial Monitoring, in areas of mutual relevance and interest will be carried out.

FinTech

AFSA's FinTech workstreams will mainly focus on such areas as digital assets, payment infrastructure, investment activities, and further development of the regulatory sandbox environment.

In addition to adopting, and enhancing existing, digital asset frameworks as part of policy development priorities, AFSA will prioritise the implementation of a roadmap on the development of the crypto industry of Kazakhstan. A pilot project is planned to be launched in 2022 that will allow crypto exchanges to operate in AIFC and implement payments through second tier banks of Kazakhstan.

AFSA will co-operate with the AIFC Authority on the development of such frameworks as digital banking, e-money and a payment service framework.

Operations of firms through the FinTech Lab will be supported by adopting various guidelines that will assist in the proper implementation of AFSA's regulatory requirements.

International Relations and Communications

Alignment of the AIFC financial services framework with global standards and international recognition will remain key priorities of AFSA's international co-operation in 2022. Specifically, AFSA will pursue the following workstreams: (1) continuation of benchmarking against IOSCO and IAIS standards; (2) engagement in upcoming international assessments, including the Financial Stability and Assessment Programme of the International Monetary Fund, and the Mutual Evaluation by FATF/EAG.

Regional regulatory co-operation in Central Asia will be further pursued with a view to reinforcing consolidated supervision where necessary and supporting cross-border financial services initiatives.

AFSA will continue regular communications with its stakeholders within its regulatory remit. This will include a wide range of communication outputs and hosting public outreach events to raise awareness on the latest developments of the regulatory regime in the AIFC, consumer protection, registration and licencing procedures, and combating money laundering.

CONTACT US

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For general enquiries regarding registration and authorisation, please contact AIFC Business Connect, which is the first point of contact for all establishments interested in having a presence in the AIFC. We have a dedicated team of Business Development Officers who are on hand to support and guide organisations through the entire process. Contact details: +7 (7172) 64 74 10 or bcs@aifc.kz.

For registration and authorisation inquiries, please contact us at registration@afsa.kz or authorisation@afsa.kz.

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