

# ANNUAL REPORT 2019

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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 the 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.

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## EXECUTIVE SUMMARY

The activities of the Astana Financial Services Authority (AFSA) in 2019 were guided by the overarching goals of its midterm strategy for 2019-2020, which were (1) aligned with the Astana International Financial Centre (AIFC) aim to become one of the top 20 financial centres in Asia and top 30 global financial centres using Global Financial Centres Index (GFCI) ratings and (2) aimed at providing a predictable and low-cost regulatory environment, financial stability, market confidence and consumer protection, while fostering sustainable development and innovation.

AFSA has focused on supporting AIFC to grow from a local to regional hub for financial services and capital markets in Eurasia. This was done through the development of the AIFC's regulatory framework for financial services and the rolling out of risk-based supervision.

### AIFC Legal and Regulatory Framework

AFSA's legislative efforts have led to the formation of a regulatory framework that covers almost all pillars of finance, enables the proper establishment of business and allows a wide range of financial services to be offered in the AIFC.

New legislation has been adopted in an effort to further build a robust regulatory regime, which includes: (1) the introduction of new legal vehicles (such as foundations and trusts), to support the establishment of new businesses in the AIFC. This is important given the widespread use of these vehicles by the global financial services industry; (2) the adoption of Preferential Creditor Rules, which aim to protect the employees of any company registered at the AIFC that may become insolvent by ensuring that they receive preferential rights to payment; and (3) the approval of a Common Reporting Standard framework, providing legislative provisions for the reporting and exchange of tax information and ensuring a cohesive regime for worldwide enforcement against tax evasion.

Amendments to the Regulations and Rules have been made to enhance both investment funds and market frameworks. These amendments have modified the rules to allow several crucial innovations to be implemented, including: (1) dual-listing through the recognition of equivalent foreign exchanges; (2) new categories for specialist funds such as real estate investment trusts, private equity and venture capital; (3) management and marketing of AIFC-domiciled funds; (4) review of base capital requirements; and (5) review of professional client definitions.

AFSA has significantly enhanced the legislative framework governing legal entities in the AIFC to: (1) create a register of identification numbers; (2) repeal Commercial Licences, and review the fees framework; (3) substitute Annual Returns with Confirmation Statements; (4) introduce the possibility of corporate directorships for Companies; and (5) allow legal entities to serve as Founding Members of an AIFC Non-Profit Incorporated Organisation.

New financial services have been introduced such as loan crowdfunding and investment crowdfunding. Such services provide innovative funding opportunities whereby small and medium enterprises and start-ups may obtain capital through small loans and equity investments via an internet-based platform.

As of 1 January 2020, the AIFC financial services framework included 25 types of regulated activities, 5 types of market activities and 5 types of ancillary services.

### **Commitment to International Standards and International Cooperation**

In pursuit of international recognition of AIFC's financial services regulatory framework and enabling cross-border businesses, AFSA prioritised becoming a signatory of several multilateral agreements on global regulatory cooperation. The following progress has been achieved as a result of this, including: (1) becoming a signatory to the International Organization of Securities Commissions' (IOSCO) Multilateral Memorandum of Understanding concerning Consultation and Cooperation and the Exchange of Information; (2) becoming a signatory to IOSCO's administrative arrangement on personal data sharing between EU and Non-EU members; (3) applying to sign the International Association of Insurance Supervisors' (IAIS) Multilateral Memorandum of Understanding concerning Consultation, Cooperation and the Exchange of Information; and (4) applying to sign IOSCO's Enhanced Multilateral Memorandum of Understanding concerning Consultation, Cooperation and the Exchange of Information.

AFSA also joined 3 international organisations: the Corporate Registers Forum (CRF) in April 2019, the Asian Forum on Insurance Regulators (AFIR) in August 2019 and the International Financial Consumer Protection Organisation (FinCoNet) in September 2019. Cooperation with these three institutions allows further enhancements of our regulatory standards in consumer protection, international corporate registration practices and facilitates co-operation among Asian insurance regulators.

Co-operation continued with the Organisation for Economic Co-operation and Development (OECD) on the exchange of information for tax purposes, with the Islamic Financial Services Board (IFSB) and Accounting and Auditing Organisation for Islamic Finance Institutions (AAOIFI) on Islamic Finance regulation standards. Co-operation with international development finance institutions continued, namely with the European Bank for Reconstruction and Development (EBRD) on technical assistance in developing AIFC acts.

AFSA signed 8 bilateral agreements and memorandums of understanding ("MOUs") on supervisory and regulatory co-operation. These agreements and MOUs will assist AFSA in meeting its regulatory and supervisory objectives in overseeing financial activities by firms, headquartered in Asia, Eastern Europe and Caucasia.

### **Registration of Companies**

Performing the corporate register functions of the AIFC, AFSA has steadily contributed to the formation of financial markets by the AIFC. By the end of 2019, the number of

registered firms had reached 363, a threefold growth versus 2018. In 2019 most of the firms registered with the AIFC originated from Kazakhstan, where local firms kept naturally leveraging first-mover advantage (221 firms or 61%). The next five countries representing the largest population of firms are Russia (25 firms or 9%), EU (24 firms or 7%), China (22 firms, 7%), UK (16 firms, 6%) and USA (10 firms, 3%). The presence of many firms from traditional common law jurisdictions, such as the USA and UK, indicate that the AIFC's Common Law-based jurisdiction is attractive. Overall, AIFC participants represent 33 countries spanning Europe, Asia, Africa and North America.

### **Promoting FinTech and innovations in the AIFC and beyond**

Fostering financial innovation in the AIFC and the wider region remains one of the key priorities for AFSA. AFSA continues to support innovations through its regulatory sandbox regime ("FinTech Lab") and wider policy initiatives.

In 2019 AFSA saw an expansion of our FinTech Lab programme: 56 applications have been received and processed, with 13 firms accepted to the FinTech Lab. This brings the total number of firms to 25, offering 7 types of innovative financial services in the areas of money services/banking, digital assets, robo-advisory, Islamic finance, crowdfunding and factoring.

During 2019 AFSA accomplished a number of initiatives in innovation including the development and enactment of crowdfunding regulations and the completion of two post-implementation reviews of rules/guidance applicable to FinTech Lab participants. Additionally, AFSA provided expert support to the Eurasian Economic Commission in the development of a regional regulatory sandbox for cross-border testing of innovations within the Eurasian Economic Union (EAEU). AFSA also provided ongoing support for the development and growth of the Global Financial Innovation Network.

In order to facilitate cross-jurisdictional business opportunities, AFSA has engaged in cooperation with several overseas IT universities, the Bank of Lithuania, and the Intellectual Property Office of Singapore. Further collaborative efforts have been devoted to passporting of fintech licences in both the Eurasian and South-East Asian regions as well as the launch of a national sandbox regime.

### **Authorisation and Supervision**

Throughout 2019 the number of enquiries, meetings and applications received and authorised increased significantly compared to 2018, which is testament to the growing interest towards AIFC. The number of Authorised Firms increased fourfold compared to 2018 (from 4 to 16), while the number of Ancillary Service Provider firms almost tripled compared to 2018 (from 28 to 89).

AFSA's integrated system of supervision consists of prudential and financial conduct supervision and includes capital market oversight. This ensures market integrity, financial stability and the sustainable functioning of financial markets in the AIFC. Specifically, in 2019, AFSA supervised 10 prudentially regulated firms (3 banks, 2 insurance companies, 5 investment firms), while 85 firms and 71 key individuals were

under conduct supervision. The supervised firms ranged from banking, insurance and investment firms to accounting and audit firms. AFSA has developed its AML/CFT supervisory programme, which includes ongoing reviews of data from the annual AML Returns, on-site AML risk assessments and thematic assessments across one or more AML/CFT issues.

AFSA has provided regulatory oversight of capital markets through its supervision of the Astana International Exchange (AIX), AIX Central Securities Depository and Recognised Non-AIFC members. The objective of such supervision was to ensure compliance with AIFC's regulatory regime, while supporting the development of AIX. AFSA's oversight enabled AIX to structure and launch new trading instruments within AIFC during 2019, including the issuance of 5 new Exchange Traded Notes (ETNs) through AIX Special Purpose Companies (SPCs). AFSA reviewed and approved modifications to various rules of AIX to assist with positive developments of its securities market. AFSA also supervised 26 Recognised Non-AIFC Members (RNAM).

### Key Initiatives

Within the reporting period, AFSA implemented several initiatives directed at consumer protection and human capital development.

In support of IOSCO's World Investor Week, a series of investor protection and education events were held under the "2019 World Investor Week in AIFC" programme from 30 September until 6 October 2019. More than 1,600 participants in 6 Kazakh cities took part in the World Investor Week 2019: Petropavlovsk (30 September), Aktau (1 October), Karaganda (2 October), Turkestan (3 October), Almaty (4 October), and Nur-Sultan (6 October). 2019 World Investor Week consisted of a number of initiatives, including Investor Awareness Roadshow, Islamic Finance Week, Almaty Finance Forum, and an Investor's Day Conference.

Committed to human capital development, AFSA has supported AIFC employee requests to participate in internships under the Bolashak programme, a scholarship programme funded by the Government of Kazakhstan. Overall during the year, 38 Employees went through professional development programmes, including online-based platforms such as FSI Connect and Coursera.

AFSA contributes to the development of AIFC through the establishment of a robust, yet business-friendly, regulatory framework in AIFC with a view to facilitating the development of capital markets, banking, insurance, and financial technologies in Kazakhstan. The regulatory framework of the AIFC allows it to carry out a broad range of financial and non-financial services, directly enabling new forms of economic activities in Kazakhstan and indirectly facilitating investments and job creation throughout the country. The performance of AFSA and its regulatory impact are measured against AFSA's Strategy 2019-2020, which is discussed further in the section on AFSA Strategy.



## CHAIRMAN'S FOREWORD

In 2019, the AFSA has continued its mission, which is to deliver a fair, transparent and robust financial services regulatory and business environment in the AIFC.



*Lady Barbara Judge CBE*

We have endeavoured to become a more comprehensive and flexible regulatory environment to enable firms to offer a wide range of financial services, and to take advantage of modern and innovative legal vehicles.

In addition to existing regulatory frameworks, the AFSA has adopted several new regulations on trusts, foundations, corporate reporting standards and innovative financial services. Markets, investments funds and legal entities' frameworks were also further enhanced permitting and encouraging a more sophisticated business environment.

The impact of these initiatives is evidenced by the growth of AIFC participants from 110 to 363 firms at the end of 2019, demonstrating the attractiveness of our regulatory environment and the AIFC jurisdiction as a whole.

In 2019, we saw the first large banks, insurance companies and asset managers entering the AIFC. Banking sector assets in the AIFC reached USD 200 million, capital markets also demonstrated growth, and equity capital raised comprised USD 217 million.

AFSA has continued to grow confidently along its path to become a reputable regulator in Eurasia, which has resulted in more international recognition of the AIFC as a transparent, fair and business-friendly financial services hub.

In 2019, AIFC surged in the Global Index of Financial Centres from 61<sup>st</sup> to 51<sup>st</sup> position out of a total of 114 financial centres, ranking 1<sup>st</sup> in the Eastern Europe and Central Asia region. This achievement would not have been possible without the collective effort of our entire AIFC family.

International cooperation by AFSA has also transitioned to a new phase. The AFSA was able to qualitatively contribute to the activities of international organisations through its membership of different working groups and committees and participating in the designing of regulatory standards and research initiatives.

Becoming a signatory to the IOSCO MMoU has been an important milestone in the development of capital markets regulation in the AIFC. Bilateral Agreements and



Memorandums of Understanding entered into by AFSA during the year have enabled it to establish relations with peer regulators from both Europe and Asia.

Cooperation with the regulatory authorities of China progressed under the New Economic Silk Road and the Belt & Road Initiative (BRI). In addition, AFSA is engaged in dialogue supporting the BRI with fair, transparent and efficient regulation.

Jointly with the AIFC Authority, we have worked closely with state bodies of Kazakhstan such as the Ministry of Finance, Ministry of Justice and the National Bank of Kazakhstan. This co-operation has led to the modification of Kazakh legislation to create a flexible environment in the AIFC and streamline the registration procedures for AIFC participants with respect to tax administration, AML and currency regulation.

In summary, 2019 has been another productive year for the AFSA and the AIFC as a whole. The AFSA has continued to support the AIFC-wide strategy and has endeavoured to ensure regulation, control and supervision of financial activities in the AIFC to maintain the safety and soundness of the financial system within AIFC.

I wish to express my sincere appreciation to the political leadership of Kazakhstan and the AIFC for their continuous support and guidance. In particular, I would like to thank H.E. Kassym-Jomart Tokayev, the President of Kazakhstan and Chairman of AIFC Management Council and Dr Kairat Kelimbetov, the Governor of AIFC for their wise leadership and strong support.

I am grateful to the members of AFSA Board and AFSA Executive Body as well as all the AFSA staff for their professionalism, commitment and valuable contribution to AFSA's day-to-day activities.

I also wish to thank all of the AIFC-family organisations for their support and cooperation. Only by sharing experience, communicating, acting as one AIFC family, uniting around our common goals, were we able to achieve these impressive outcomes in 2019.

I look forward to continuing our journey successfully and to achieving our vision for the forthcoming year, 2020.

## ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT

The past year has demonstrated considerable progress in delivering AFSA's mission on creating a fair, transparent and robust financial services regulatory environment.

I am pleased to inform you that our efforts to establish a comprehensive and inclusive environment for the development of financial services markets have delivered positive outcomes over the past year. By the end of 2019, the regulated community more than doubled in numbers reaching 135 companies. These include 2 market institutions, 16 authorised firms (comprising banks, insurance companies, asset managers and investment advisories), 89 ancillary services providers, 26 recognised brokerage firms, and 2 recognised market institutions. In addition, 25 firms were admitted to FinTechLab.

The strong growth trend of financial markets in the AIFC is correlated with our policy initiatives over the past year. These helped to introduce innovative financial services (such as crowdfunding), created better conditions for investment management through new legal vehicles (trusts, foundations), increased transparency of business to a new level through adoption of OECD corporate reporting standards and further strengthened investor protection in AIFC. Large banks, insurance companies, investment business and asset managers have started to establish themselves in the AIFC, which demonstrates the positive perception of the AIFC regulatory regime by the international business community.

Enhancing the capital markets and funds frameworks has allowed AFSA to maintain firm supervision of market institutions in the AIFC whilst encouraging growth. The number of firms operating in the AIFC through the Astana International Exchange (AIX) grew to 23 entities, including 21 Recognised Non-AIFC Members (RNAMs) and 2 Authorised Firms.

AFSA now authorises 25 regulated and 5 market activities, as well as 5 ancillary services for firms offering services in the AIFC. As AIFC markets and regulated entities have increased, so has the number of entities supervised by AFSA.

Overall, as mentioned in foreword by the Chairman of the Board, the number of AIFC participants has tripled to reach 363 firms. Apart from financial and ancillary services firms, 206 firms were engaged in non-financial activities, acting as holding companies and conducting subsidiary management, providing IT services, data processing and hosting, and office services. We shall strive further to perfect the AIFC legal and regulatory framework in order to facilitate business and inspire innovation. We shall do this by providing a platform to launch financial and regulatory technologies, products and services while also ensuring the safety and robustness of AIFC's financial system.

AFSA remains committed to implementing the best international standards for regulation and supervision of financial services. We have benefitted from our memberships of and cooperation with IOSCO, IAIS, BSCEE, IFSB, and OECD as part of our long-term commitment to global standards of financial services regulation.

Consumer protection has remained one of the main priorities of AFSA as embedded in its charter and regulatory objectives. Part of this entailed AFSA, together with the AIFC Authority, holding the 2019 World Investor Week in the AIFC in 6 cities throughout Kazakhstan, involving over 1,600 participants from different groups.

Considering that combating money-laundering and terrorist-financing is one of our top regulatory priorities, AFSA remains alert to addressing such risks and implemented its AML/CFT supervisory programme.

As I look back at the accomplishments of 2019, I would like to express my appreciation to the Board of Directors for their support and challenge within the Board and its specialised committees. The combined expertise and profound management experience of the Board members firmly steered AFSA towards impressive achievements over the past year.

I would like to thank Dr Kairat Kelimbetov, Governor of the AIFC, for his unwavering support and leadership. The principle of “one AIFC family” set out by the Governor has ensured synergistic interaction among all AIFC bodies, leading to a strong performance by the whole AIFC family.

I am thankful to fellow Executive Body members for their impeccable leadership and the AFSA staff for their professionalism and strong sense of responsibility. Driven by shared values, strong team spirit and common goals, the whole AFSA team has managed to deliver services professionally and with excellence.

Treasuring our main assets, our people, we continued investing in capacity building. Over 38 staff members attended multiple training sessions, seminars, courses and exchange programmes covering various topics of financial services regulation, with many held by well-known vendors, including the Financial Stability Institute, IOSCO, and Coursera.

Our team is our most valuable resource. I am honoured to serve as the Acting CEO, and I am proud to work side by side with the employees of AFSA.

## 1. INTRODUCTION

The Astana International Financial Centre (AIFC) was established as a result of the initiative of the former President of Kazakhstan, Nursultan Nazarbayev, and operates as per the Constitutional Statute relating to the Astana International Financial Centre, dated December 2015. 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.

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

This report presents the outcomes of AFSA's operations as the regulatory authority of the AIFC from 1 January 2019 to 31 December 2019.

### 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:

- **Regulated and Market Activities** – covering the financial services that Centre Participants may offer after obtaining their licence - including banking, insurance, capital markets, Islamic finance, as well as market-related investment exchanges and clearing houses;
- **Ancillary Services** – covering those professional services that are ancillary to, but necessary for, the proper functioning of the financial services industry and capital market, including audit, accounting, legal, consulting and credit rating agencies, and;
- **Corporate Registration** – Administering registration functions.

AFSA provides prudential regulation and seeks to ensure that licensed Centre Participants are financially sound. ASFA endeavours to monitor and mitigate institutional and systemic financial risk, including incidents of economic shock and financial disruption.

AFSA conducts business regulation, addressing both wholesale and retail provision of financial services.

AFSA supervises firms and their employees in the context of monitoring both individual and institutional integrity and ensuring high standards of conduct. It regulates corporate governance of Centre Participants and has authority over their directors and key employees who are approved by AFSA to carry out designated functions. AFSA applies the standards of the Financial Action Task Force (FATF) on the regulation of money laundering and terrorist financing.

AFSA enforces its rules by taking robust and timely action against those who do not comply with their responsibilities.

## 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

**Vision:** To be a globally respected regulator of financial services in Eurasia, delivering a legal and regulatory framework that demands high standards of behaviour, inspires innovation and creates a fair and safe environment in which investors have confidence and business is trusted.

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

### Principles:

- Acting in an ethical, transparent and accountable manner.
- Dealing with businesses and individuals fairly, impartially and professionally.
- Promoting the highest standards of corporate governance.

## 2. AFSA STRATEGY

The past year has been the first year of implementation of AFSA's Strategy for 2019-2020. This section of the Report provides the main highlights of the five key strands of the Strategy:

### (1) Regulation

AFSA is committed to adopting and implementing a regulatory regime that complies with international standards and global best practices. In 2019, AFSA completed the following:

- The enhancement of the capital markets framework by introducing a simplified process for secondary listing of securities and funds listed in recognised exchanges.
- The further development of the asset management framework by: (1) adopting Foundations and Trust frameworks; (2) introducing self-managed fund and listed fund frameworks as well as a foreign fund manager regime; and (3) reviewing prudential requirements for investment firms and the definition of professional clients to ensure proportionality in regulation.
- The enhancement of the fintech framework by introducing a crowdfunding framework, allowing fintech firms to deploy fintech activities regulated in the AIFC. This will allow firms to comply with requirements gradually and in time migrate to the full authorisation regime.

In accordance with AFSA's strategy, the legal and regulatory framework ultimately seeks to facilitate business, support and inspire innovation by providing a platform to launch financial and regulatory technologies, products and services while also ensuring the safety and robustness of the AIFC's financial system. In 2019, AFSA also worked on:

- The enhancement of the legal framework by reviewing legal entities and fees frameworks, adopting rules on identification numbers and the preferential creditor framework, and reviewing the corporate service provider framework and auditor requirements.
- The adoption of a common reporting standard and introduction of co-operation and exchange of information frameworks.

Today, AFSA applies globally recognised standards to the AIFC legal and regulatory framework, namely:

- IOSCO standards – in the area of Capital Markets and Asset Management;
- IAIS standards – in the area of Insurance;
- IFSB and AAOIFI standards – in the area of Islamic Finance and Islamic Banking;
- Basel standards – in the area of banking (although a review is required in 2020);



- OECD standards – in the area of corporate governance, taxation and Ultimate Beneficial Owner identification;
- FATF requirements – in the area of anti-money laundering;
- IFRS and US GAAP – in the area of accounting and reporting of authorised firms.

## **(2) Prudential supervision**

Supervisory processes were established and streamlined, including reporting requirements, identification and assessment of risk for different types of activities. AFSA drafted and implemented internal policies, procedures and guidelines as well as carried out training of supervisors. The procedures were benchmarked against the best international practices.

Overall, the objectives were completed as part of establishing the supervisory process, and AFSA will continue working on establishing working relationships with the supervisory bodies in Kazakhstan.

## **(3) Business conduct**

AFSA promotes integrity, transparency and client protection in business conduct, through licensing and disclosure requirements and other internationally recognised regulations on client and investor protection. In 2019, AFSA conducted offsite and onsite supervision as well as an Anti-Money Laundering Thematic Review.

AFSA will strive to protect customers from activities not permitted in the AIFC and from financial products that are high risk through the strict enforcement of rules and will resolve disputes between customers and AIFC participants in a fair and timely manner.

## **(4) National and international co-operation**

In 2019 AFSA became a signatory to IOSCO MMoU that allows AFSA to enter into international enforcement co-operation with 123 regulatory authorities. AFSA also joined the International Financial Consumer Protection Organisation for enhancing consumer protection issues in the AIFC, the Asian Forum of Insurance Regulators for boosting regional regulatory cooperation in insurance, and the Corporate Registers Forum for benchmarking against best practices of registration procedures.

AFSA laid a solid basis for raising its international profile within the global regulatory community and became a member of IOSCO's MMoU Monitoring Group and Working Group on fintech for the Growth and Emerging Markets Committee. AFSA also participated in IFBS working groups on recovery and resolution plans of Islamic financial services, on core principles for Islamic finance regulation (Takaful Segment), on Disclosure for Takaful/Retakaful undertakings, and on revised capital adequacy standards for IIFS.

In 2019, AFSA number of bilateral MoUs reached 19 allowing facilitation of cross-border supervision.

AFSA together with other financial regulators and international organisations, including the UK Financial Conduct Authority, World Bank Group and International Monetary Fund, launched the Global Financial Services Network – a network dedicated to advancing of financial stability and integrity, consumer wellbeing and protection through innovation in financial services.

Finally, the tripartite cooperation agreement between AFSA, the Intellectual Property Office of Singapore (IPOS) and the Ministry of Justice of Kazakhstan was signed to establish a framework with the ultimate objective of developing an advanced intellectual property (IP) ecosystem in the AIFC, including setting up a joint IP office within the AIFC, as well as the development of AIFC's legal framework on IP.

## (5) Effective authority

In 2019 AFSA optimised internal business processes relating to registration, commercial licensing, monitoring, and enforcement. Further enhancements were made with respect to transparency of the public registers and AFSA continues to work on integration with the national Business Identification Number (BIN) database while also enhancing the digital portal for online registration (including digitalising application forms and making them available to participants via a self-service portal).

In terms of business facilitation, AFSA developed new and improved application forms for incorporation, registration and authorisation of AIFC participants. It conducted outreach sessions and arranged regular meetings and workshops on registration, authorisation, regulation, supervision, and business conduct. Further work was done on streamlining the process of admission to the official securities and trading list. Underpinning this, high standards of business conduct were maintained in the AIFC by conducting periodic thematic reviews.

In terms of engagement and communication, AFSA worked on increasing awareness, understanding and promotion of the AIFC pillars among different stakeholders. As part of its marketing campaign, and jointly with AIFC bodies, AFSA organised World Investor Week 2019.

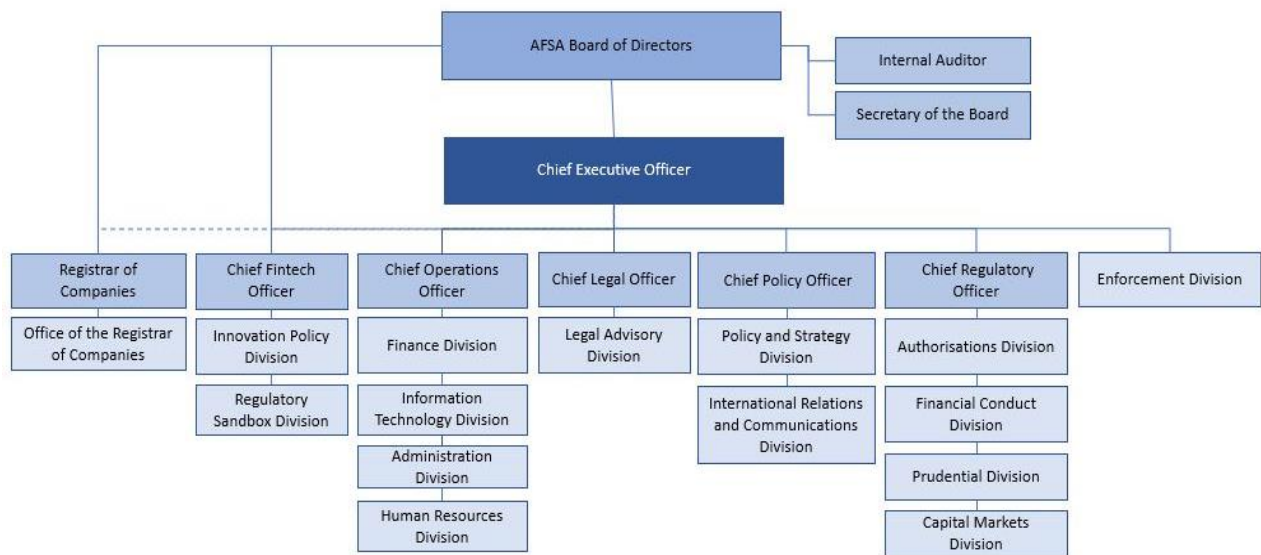
## Global Financial Centres Index (GFCI)

AFSA's Regulatory Objectives are aligned with the AIFC's aim of breaking into the top 30 financial centres globally, according to the GFCI ratings. In September 2019, AIFC was placed in 51st position in the GFCI.

Centre	GFCI 26		GFCI 25		Change in Rank	Change in Rating
	Rank	Rating	Rank	Rating		
Nur-Sultan (formerly Astana)	51	648	51	631	0	▲17
Istanbul	53	641	59	620	▲6	▲21
Prague	58	636	62	614	▲4	▲22
Warsaw	64	626	70	605	▲6	▲21
Moscow	71	610	88	582	▲17	▲28
Tallinn	76	605	94	569	▲18	▲36
Budapest	78	603	71	603	▼7	0
St Petersburg	79	602	73	601	▼6	▲1
Cyprus	83	595	93	572	▲10	▲23
Sofia	84	594	79	593	▼5	▲1
Riga	85	593	78	595	▼7	▼2
Baku	94	584	95	567	▲1	▲17
Almaty	98	548	100	560	▲2	▼12
Athens	100	539	102	519	▲2	▲20

Nur-Sultan also retained its top ranking in the Eastern Europe & Central Asia region, consolidating its position, despite being a recently-formed financial centre.

### 3. AFSA GOVERNANCE MODEL AND ORGANISATIONAL STRUCTURE



## 4. BOARD OF DIRECTORS

### Role of the Board of Directors

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

AFSA is headed by the Chairman of the Board, Lady Barbara Judge CBE, who is appointed and dismissed by the AIFC Management Council. The Chairman of the Board is appointed by the Council for a fixed term. The Board consists of a Chairman, executive and non-executive (independent) members.

### Powers and functions of the Board

- 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 (the "CEO") and other members of the Executive Body after consultations with the Governor;
- 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.

## Committees of the Board of Directors

The Board of Directors has created three internal Committees which have both consulting and advisory functions. All committees are established by the Resolution of the Board. 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 function of the ARCo is to assist the Board as to the quality of the financial management of AFSA and the adequacy of its systems of internal controls as well as the identification and management of significant risks to AFSA's objectives and activities.

### **Nomination and Remuneration Committee (RemCo)**

The primary function of the RemCo is to advise the Board, the AFSA 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 primary purpose of the LegCo is to assist the Board in discharging its policymaking and legislative functions, including the development of legislation related to the regulation of financial services and related ancillary activities conducted through the AIFC.

## Overview of decisions and work of the Board

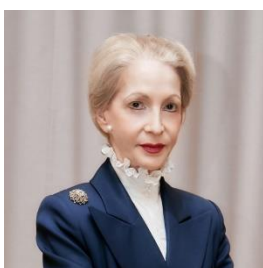
- (1) 10 meetings were held during 2019, including five face-to-face meetings, four in absentia and one by means of a conference call.
- (2) The regulatory framework was significantly strengthened by the development of the AIFC acts, including but not limited to granting of the Board's approval or pre-approval of the following:
  - AIFC Foundations Regulations
  - AIFC Preferential Creditor Rules
  - FinTech Framework
  - AIFC Common Reporting Standard Regulations and Rules
  - AIFC Crowdfunding Framework
  - AIFC Trust Regulations
  - AIFC Fund Legislative Framework
  - AIFC Rules on Establishment, Maintenance and Use of the Astana International Financial Centre Register of Identification Numbers and on Formation of Identification Numbers for Astana International Financial Centre Bodies, their organisations and Astana International Financial Centre Participants 2019

(3) The following internal and external documents were approved:

- AFSA Risk Management Policy
- AFSA Risk Strategy
- AFSA Risk Statement
- AFSA Authorization and Supervision Policy
- AFSA Policy on Registration, Commercial Licensing, Monitoring and Enforcement
- AFSA HR Policy
- AFSA Whistleblowing Policy
- AFSA Enforcement Policy

(4) The Board has effectively guided and governed AFSA during 2019, having provided multiple instructions and given assignments.

## Member Profiles



### Lady Barbara Judge CBE

#### Chairman of the Board, Chairman of Nomination and Remuneration Committee

Lady Barbara Judge is an American-British lawyer and businesswoman and has a broad, international career as a senior executive, chairman and non-executive director, in both the private and public sectors.

She was the youngest ever commissioner of the US Securities and Exchange Commission. She is currently Chairman of CIFAS, the United Kingdom's fraud prevention service, the former Chairman of the UK Atomic Energy Authority and the Pension Protection Fund. She was also Deputy Chairman of the UK Financial Reporting Council and a non-executive director of a number of other public and private tech companies.

In June 2010 she was awarded Commander of the British Empire (CBE) in the Queen's Birthday Honours for services to the nuclear and financial services industries. In 2015 she received the Times Non-Executive Director award for her chairmanship of the Pension Protection Fund.





**Angela Knight CBE**

**Deputy Chairman of the Board, Chairman of the Audit and Risk Committee**

Mrs Angela Knight is a Senior independent non-Executive Director at TPICAP plc, an independent non-Executive Director at Taylor Wimpey Plc, an independent non-Executive Director at Arbuthnot Latham Ltd, independent non-Executive Director at Provident Financial PLC and Chair of Group Risk Committee and an independent non-Executive Director at Encore Capital Group Inc.

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. She has also served as Chair of the Office of Tax Simplification for HM Treasury.



**Gregory Tanzer**

**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 served as a Commissioner of the Australian Securities and Investments Commission and Secretary General of the International Organisation of Securities Commissions.



**Masood Ahmed**

**Non-executive member of the Board**

Mr Masood Ahmed currently serves as President of the Centre for Global Development. 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**

**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 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**

**Non-executive member of the Board**

Mr Heller is a digital currency and fintech specialist. 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. His 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.



**Marc Holtzman**

**Non-executive member 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, the world's leading provider of analytics-driven technology-enabled services and FAT Brands, a global franchisor of leading restaurant brands.



**Dr Iain Saville CBE**

**Non-executive member of the Board**

Dr Saville is 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.



**Zere Seidimbek**

**Non-executive member of the Board**

Ms Zere Seidimbek serves as Chief Internal Policy Officer of the AIFC Governor's Council. She was responsible for the development of the regulatory framework in the AIFC and setting up AFSA as an independent regulatory authority of the AIFC. Previously she held senior executive positions at the Development Bank of Kazakhstan, Kazakhstan Public-Private Partnership Centre, and Q-BRO (a subsidiary company of the National Bank of Kazakhstan).

## 5. EXECUTIVE BODY

### Role of the Executive Body

The Executive Body is an 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 the 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 AIFC Management Council and/or resolutions of the AIFC Governor and/or decisions of the AFSA Board.

The members of Executive Body are appointed and dismissed by the Board after consultations with the Governor. 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, internal documents and the rules and regulations of AFSA;
- 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 and business plans and the annual budget and annual reports of 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 Council or the Governor or the Board.

### Overview of key decisions

Executive Body members, including the CEO, meet regularly as often as it is necessary and at least once per month to discharge their duties effectively. The Executive Body also reviews and pre-approves matters which fall within the authority of the AFSA Board of Directors.

During 2019, the Executive Body members met to discuss and approve (or pre-approve) various issues, including drafts AIFC policy papers and draft AIFC Acts.

In addition, the Executive Body has discussed and approved following guidances:

- AIFC Guidance on Ultimate Beneficial Owner
- AIFC Banking Prudential Guidance
- AFSA Guidance on the Risk Management Policy
- AFSA Enforcement Guide

- Guidance (Requirements) applicable to the Rules of Internal Control for the purposes of counteracting the legalisation (laundering) of proceeds from crime and the financing of terrorism for financial monitoring entities of the AIFC.

## Executive Body Committees

The Executive Body may form committees to consider specific issues. During 2019 two such committees operated in AFSA:

### Authorisation, Waivers and Modifications Committee

The objective of the Committee is to assist the Chief Executive Officer of AFSA (the “CEO”) in exercising his or her responsibility and power to consider and render decisions and directions in respect of applications:

- (a) for a licence or recognition to carry on any regulated activity provided for in or under the AIFC Financial Services Framework Regulations (the “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 Regulatory Sandbox Applications

The objective of the Committee is to assist the Chief FinTech Officer of AFSA in exercising his responsibility and power to consider and render decisions and directions in respect of applications for a Sandbox Permission to deploy and test FinTech Innovations in the FinTech Regulatory Sandbox.

## Member Profiles



### Mukhtar Bubeyev

#### Acting CEO, Chief Policy Officer

Mr Mukhtar Bubeyev joined AFSA in December 2017 as Chief Policy Officer.

Mukhtar Bubeyev is a professional in Kazakhstan’s banking supervision and financial services sector. Previously he worked as Chief Risk Officer at the ATF Bank (Kazakhstan), Head of Strategy and Research at the National Bank of Kazakhstan, Head of Banking Supervision in Financial Markets Supervision Agency of Kazakhstan, and Head of Financial Models Research in Kazakhstan's Ministry of Finance. He also served as a supervisory board member for Kazakhstan Deposit Insurance Fund and Kazakhstan's National IT Holding, Zerde.



**Aizhan Zhantayeva**

**Chief Operations Officer**

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

Aizhan Zhantayeva has more than 15 years' 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 the CEO in the AIFC Authority and Human Resources Director at both the National Bank of Kazakhstan and ATF Bank.



**Assylbek Davletov**

**Chief FinTech Officer**

Mr Davletov as the Chief FinTech Officer is responsible for implementing and operating the AIFC FinTech regulatory sandbox ("FinTech Lab") and development of regulatory policies to facilitate the adoption of financial innovations in the AIFC. He oversees the activities of two divisions: the FinTech Lab division and Innovation Policy division.

Prior to joining the Astana Financial Services Authority, Mr Davletov served as Head of the Regulation and Licensing Department at the Astana International Financial Centre Authority, Deputy Director of Methodology for Control and Supervision Department at the National Bank of Kazakhstan, Legal adviser to the Deputy Chairman of the Parliament of Kazakhstan and Chief Specialist at the Economic Court of Almaty city, in Kazakhstan.

Mr Davletov is a graduate of Stanford Graduate School of Business (GSB), Sloan Master Program, and holds an MS in Management. He also completed the Public Management and Social Innovation at Stanford Graduate School of Business (GSB) and holds a bachelor's degree in Law from the Kazakh University of the Humanities and Law.

## 6. LEGAL AND REGULATORY FRAMEWORK

In 2019 AFSA continued to establish the main body of the AIFC legislative framework. The focus of legislative development workstreams was directed towards shaping the regulatory environment to ensure it is fit-for-purpose and complies with international standards. At the same time, AFSA has tailored the regime to ensure synergy with the domestic and regional regimes.

AFSA introduced new legal vehicles and enhanced existing legislation to support the establishment of new business in the AIFC. Special attention was given to the development of the legislative framework recommended by the global standard-setting organisations. In addition, AFSA, together with the National Bank of Kazakhstan continued the development of a special currency framework for AIFC participants. Two new market activities related to fintech businesses were introduced in AIFC.

Overall, the AIFC regulatory framework includes 5 types of market activities, 25 types of regulated activities and 5 types of ancillary services as follows:

Regulated Activities		
1. Dealing in Investments as Principal	9. Acting as the Trustee of a Fund	17. Accepting Deposits
2. Dealing in Investments as Agent	10. Advising on Investments	18. Providing Credit
3. Managing Investments	11. Arranging Deals in Investments	19. Advising on a Credit Facility
4. Managing a Collective Investment Scheme	12. Managing a Restricted Profit-Sharing Investment Account	20. Arranging a Credit Facility
5. Providing Custody	13. Islamic Banking Business	21. Providing Money Services
6. Arranging Custody	14. Providing Islamic Financing	22. Effecting Contract of Insurance
7. Providing Trust Services	15. Insurance Intermediation	23. Carrying on Contracts of Insurance
8. Providing Fund Administration	16. Operating a Representative Office	24. Takaful Business
		25. Insurance Management

Market Activities	Ancillary services
1. Operating an Exchange	1. Providing Legal Services
2. Operating a Clearing House	2. Providing Audit Services
3. Operating a Private E-currency Trading Facility	3. Providing Accountancy Services
4. Operating a Loan Crowdfunding Platform	4. Providing Consulting Services
5. Operating an Investment Crowdfunding Platform	5. Providing Credit Rating Services



In 2019, AIFC's legal framework was enhanced by a new type of legal entity (foundations) and a widely used legal arrangement (trusts).

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	Derivatives	Trust	ASSET MANAGEMENT	Private Equity Funds	General Insurance Contract	INSURANCE	Captive Insurance (3rd parties)		
Debentures			Foundations		Venture Capital Funds				Long-Term Insurance	
Warrant			Self-managed Funds		Real Estate Investment Trusts				Captive Insurance (only for the Group to which it belongs)	
Certificate										
Structured Product										
Units		Commodity Exchange	Listed Funds		Islamic Investment Fund	Reinsurance				
Investments Exchange									Overseas Listed Funds	Foreign Fund manager
Clearing House										
Deposits	PRIVATE BANKING	Long-Term Insurance	Unrestricted PSIA	ISLAMIC FINANCE	Islamic Financing Crowdfunding Platform	Private E-currency Trading Facility	FINTECH	E-money and Payment Services		
Bank Account		Investments	Restricted PSIA			Loan Crowdfunding Platform		Investment Crowdfunding Platform	Mobile (Digital) Banking	
Credits			Providing Islamic Financing							
Credit Facilities			General Takaful							
Money Services		Custody Services	Family Takaful		Captive Takaful (3rd parties)					
			Islamic Captive							
	Investments in shariah manner									

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

## Legislative initiatives of 2019

In 2019 the AFSA continued designing and developing the legal and regulatory framework aimed towards providing a conducive and safe environment for financial services and professional service providers. The table below summarizes this legislative development work.

Development of:	Enhancement of:
1. AIFC Foundations Regulations	1. AIFC Markets Framework
2. AIFC Preferential Creditor Rules	2. AIFC Funds Framework
3. AIFC Common Reporting Standard Regulations	3. AIFC Legal Entities Framework
4. AIFC Common Reporting Standard Rules	
5. AIFC Trust Regulations Framework	

**Trust Framework.** The AIFC Trust Regulations provide a robust framework for the establishment, redomiciliation, operation and termination of trusts in the AIFC. The regulations have been drafted to provide a detailed and modern regime that is in line with international best practice. In view of the widespread use of trusts by the financial services industry – ranging from the custody of assets held on trust as part of a wealth management service to the holding of assets on trust by a security trustee in a secured lending transaction or the use of trusts in corporate structuring – particular attention has been paid to the appointment by trustees of custodians, nominees and agents.

Care has been taken to ensure that the Trust Regulations do not give preferential treatment to that available under the law of Kazakhstan (for example, in relation to settlements of community property into a trust and in relation to the consequences of fraudulent conveyances).

**Foundations Framework.** The *AIFC Foundations Regulations* provide the AIFC with a framework for a new type of legal entity, the foundation. Foundations share some characteristics with companies and with the common law concept of a trust. However, unlike a trust, a foundation has legal personality and can hold assets. Unlike a company, a foundation does not have shareholders and cannot carry out commercial activities.

**Investment Fund Framework.** The investment fund framework went through a comprehensive review in two stages. The amendments to the legislation adopted in May 2019 introduced a framework for listed funds and overseas listed funds (to allow dual-listing through recognition of foreign exchanges), and new categories for specialist funds such as real estate investment trusts, private equity, and venture capital. Amendments adopted in July 2019 now allow foreign fund managers to manage AIFC-domiciled funds and market them in the AIFC and also permits self-managed funds that do not appoint an external manager. Base capital requirements were reviewed for fund managers depending on the fund type, investment managers (of individual accounts), fund administrators, custodians, promoters and investment advisors.

The Professional Client definition was reviewed in relation to requirements for the high net worth individual category (net asset requirements reduced from \$1 million to \$100,000 to ensure proportionality of regulation in the AIFC). These amendments will positively impact the development of the Exempt funds market and Banking.

In late December 2019, AFSA received the first preliminary/draft application for establishing an Exempt fund in the AIFC. The number of applications is expected to increase rapidly once the amendments to the Tax Code on exempting income of investment funds are approved.

**Amending the AIFC Legal Entities Framework.** AFSA has significantly enhanced the legislative framework governing legal entities in the AIFC to promote the ease of doing business. Key highlights include:

- ***Register of identification number.*** The adopted Rules provide a unified system of registration of information relating to AIFC Bodies, their organisations and AIFC Participants and define the procedure for the formation of Identification Numbers for them.
- ***Repealing Commercial Licence and reviewing fees framework.*** The amendments to the legislation ensure there is no confusion with the licensing of ancillary services, regulated and market activities providers for non-financial activities companies. Fixing a one-time payable fee for incorporation and recognition, and introducing

additional fees for post-registration procedures and processing inquiries, removes the obligation for participants to renew their “commercial license” annually.

- ***Substitution of Annual Returns with Confirmation Statements.*** The Confirmation Statement is intended to serve roughly the same purpose as the Annual return. One main difference is that rather than AIFC Participants providing a snapshot of their data at a specific date, AIFC Participants will need to ‘check and confirm’ the information the Registrar holds is accurate.
- ***Introduction of a corporate directorship option for companies.*** Only an Ancillary Service Provider or a holding company may serve as corporate directors, giving the Registrar power to give permission in other circumstances. However, companies will require to have at least one director who is a natural person.
- ***Allowing legal entities to serve as Founding Members of an AIFC Non-Profit Incorporated Organisation.*** Prior to the amendments only natural persons were able to be founding members. Additionally, the minimum number of founding members has been reduced from three (3) to one (1).

**Framework on Preferential Creditors.** Preferential Creditor Rules were adopted to supplement the existing regulatory framework on insolvency law to protect the employees of any company at the AIFC that becomes insolvent by ensuring that they receive a preferential right to payment upon the company's bankruptcy.

**Common Reporting Standard framework.** The adopted legislation, based on the model OECD Common Reporting Standard (2014), provides a regulatory framework for the reporting and exchange of tax information between global regulators in order to ensure a cohesive regime for worldwide enforcement against tax evasion. The framework imposes requirements on certain financial institutions to collect and report tax information to the Competent Authority that is responsible for exchanging such tax information with other jurisdictions as appropriate. AFSA as the Relevant Authority has powers investigate such financial institutions and apply enforcement actions in the event of a breach.

## 7. COMMITMENT TO INTERNATIONAL STANDARDS

AFSA is fully committed to adopting and implementing a regulatory regime that complies with international best practices in which international and domestic investors have confidence. As such, the highest priority of AFSA is to apply global standards espoused by global standard setters and keep the regulatory framework of the AIFC aligned with the latest developments.

### International Organisation of Securities Commissions (IOSCO)

IOSCO has been a global standard-setting body ever since its creation in 1983. Its role in implementing and promoting adherence to internationally recognised and consistent standards of regulation and supervision of capital markets has been recognised globally. IOSCO's Objectives and Principles of Securities Regulation serve as standards for securities regulation and have been endorsed by both the G20 and the Financial Stability Board (FSB). These standards constitute the respective components for securities regulation under the Financial Sector Assessment Programme of the IMF and World Bank.

AFSA joined IOSCO as an Associate Member on 20 April 2018 and has been cooperating with IOSCO as part of its long-term commitment to the Organisation's mission. The following initiatives have enabled further alignment of the AIFC regulatory framework with respective international standards:

- IOSCO MMoU: On 3 July 2019 AFSA became a signatory to the IOSCO Multilateral Memorandum of Understanding concerning Consultation and Cooperation and the Exchange of Information. Becoming a signatory to the MMoU confirms that the AIFC financial regulatory framework complies with global standards for the exchange of information on cross border financial activities in capital markets and protection of confidential information. AFSA will enhance its regulatory capability over cross-border securities' transactions to ensure market integrity and stability and to facilitate enforcement of AIFC regulations and rules;
- IOSCO Administrative Arrangement: On 23 July 2019 AFSA signed the Administrative Arrangement of IOSCO (AA). AA is a mechanism that sets appropriate safeguards for transferring personal data outside the European Union (EU). In May 2018, the EU adopted the General Data Protection Regulation (GDPR) framework. This may impact transfers of personal data from EU-members to non-EU-members of IOSCO thereby potentially interfering with exchanges of information under the MMoU and EMMoU. IOSCO determined that the best way to address this challenge was to draft a non-legally binding AA for the transfer of personal data between EU and non-EU Authorities - one of the forms of safeguards permitted under Article 46 of the GDPR for the transfer of personal data. In February 2019, both the European Data Protection Board and IOSCO Board approved the AA;

- Contribution to standard-setting: In 2019 AFSA became a member of the MMoU Monitoring Group and Working Group on FinTech of the Growth and Emerging Markets Committee. AFSA contributed to surveys commissioned by IOSCO, which normally serve as initial steps preceding standard-setting work.

### **International Association of Insurance Supervisors (IAIS)**

IAIS is the global standard-setting organisation with the following mission: promoting effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders, and contributing to global financial stability.

The Insurance Core Principles (ICPs) of IAIS serve as global standards for insurance supervision and are used as components for insurance regulation under the Financial Sector Assessment Programme of the IMF and World Bank. IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators and assists in shaping financial systems globally. In particular, the IAIS is a member of the Financial Stability Board (FSB), member of the Standards Advisory Council of the International Accounting Standards Board (IASB), and partner in the Access to Insurance Initiative (A2ii). G20 leaders and international standard-setting bodies often call upon the expertise of the IAIS concerning issues surrounding the regulation and supervision of global finance.

AFSA became a fully-fledged member of IAIS on 26 November 2018 and ever since has been committed to IAIS' mission.

- IAIS MMoU: AFSA has officially submitted its application to become a signatory of the IAIS Multilateral Memorandum of Understanding on Cooperation and Information Exchange. The MMoU is a global pact for the exchange of information and cooperation between insurance supervisors;
- Regional Group Initiatives: As a member of the Central and Eastern Europe and Transcaucasia Group the AFSA participated in surveys and discussions of the Group.

### **Group of Banking Supervisors from Central and Eastern Europe (BSCEE)**

BSCEE is a regional group of the Basel Committee on Banking Supervision (BCBS), which is the primary global standard-setter for the prudential regulation of banks and serves as a platform for global dialogue on matters of bank supervision.

AFSA formally joined the BSCEE on 26 November 2018 in Abu Dhabi at the International Conference on Banking Supervision of the Basel Committee by signing the accession agreement.

AFSA's membership of the BSCEE will allow alignment of the banking regulatory framework of the AIFC with the standards of the Basel Committee in the field of regulation and supervision of the banking services market. BSCEE facilitates cooperation among its members to help with the integration of the Basel standards

and core principles and provides avenues for the exchange of information and supervisory experiences. The Group also serves as a high-level forum for technical discussions and encourages research, training and educational programmes.

Accession to the BSCEE is an important step towards forming a sound banking market in the AIFC. The banking sector will play a critical role in establishing the AIFC as the regional financial services hub.

### **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. IFSB is mandated to promote and strengthen the robustness and stability of the Islamic financial services industry through global prudential standards and guiding principles for the industry.

The development of regulations and rules in accordance with IFSB standards creates a strong regulatory framework in the field of the regulation and supervision of Islamic financial institutions.

As the development of Islamic finance is one of the strategic pillars of the AIFC, the effective oversight and regulation of the Islamic finance market is one of the main priorities of AFSA. Throughout 2019 the following activities have been undertaken in order to integrate Islamic financial services standards into the regulatory framework of AIFC:

- Contribution to standard-setting: staff of AFSA have served as members in four working groups of 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 numerous surveys undertaken by the IFSB to facilitate the adoption of new and enhanced standards;
- Hosting of IFSB events: The AIFC Authority hosted the Technical Committee meeting, IFSB working group meetings on investor protection in the Islamic capital market and on creating an effective system of guaranteeing Islamic deposits in July 2019.

### **Organisation for Economic Cooperation and Development (OECD)**

AFSA strives to build a regulatory framework for financial services that is compliant with the highest standards of transparency and information exchange for tax purposes. In 2019 AFSA worked towards the integration of the following international standards into the AIFC's regulatory framework:

- Standard on Exchange of Information on Request: Following signature by the Governor of amendments to AIFC Companies Regulations and Rules and Special purpose companies rules, which commenced on 1 March 2019, all recommendations of the OECD Peer Review on Kazakhstan conducted in June 2018 were addressed;
- Common Reporting Standard: AIFC Common Reporting Standard Regulations and Rules were adopted by the Board of Directors on 5 May 2019 as part of implementing the OECD Common Reporting Standard in the AIFC. Integration of this standard sets out that Financial Institutions are required to report financial accounts in order to limit the opportunities for taxpayers to circumvent reporting.
- Prevention of harmful tax practices: AFSA continued work on the integration of regulatory provisions in order to counter and prevent harmful tax practices in AIFC. Representatives of AFSA participated in discussions which took place at the margins of the OECD Forum on Harmful Tax Practices (FHTP).

### **International Financial Consumer Protection Organisation (FinCoNet)**

FinCoNet is an international organisation of 24 financial consumer protection supervisory authorities with the goal to promote sound market conduct and enhance consumer protection through efficient and effective financial market conduct supervision.

AFSA became a member of FinCoNet in September 2019 with the following rationales: (1) protection of interests of investors and consumers of financial services is one of the main objectives of the AFSA as set out in section 11(7) of the AFSA Charter; (2) membership of FinCoNet would empower AFSA to enhance consumer protection standards and practices as per best international practices; (3) promotion of sound market conduct and strong consumer protection is enabled through efficient and effective financial market conduct supervision.

AFSA actively attended FinCoNet events and contributed to its research initiatives.

### **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 with an aim of combating money laundering, reducing the threat of international terrorism and ensuring 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). EAG efforts are assisting member-states in implementing the 40 FATF Anti-Money Laundering Recommendations, the 9 Special FATF Recommendations on combating terrorist financing and conducting joint activities aimed at combating money laundering and terrorist financing.

AFSA initiated preparatory works for engaging in EAG's programme on mutual evaluations of member-states based on the FATF Recommendations, including assessment of the effectiveness of legislative and other measures adopted in the sphere of AML/CFT efforts. This assessment, under FATF recommendations, will



continue in 2020-2021.

## 8. INTERNATIONAL COOPERATION

International relations of AFSA have largely focused on multilateral dimensions during 2019. In particular, efforts were devoted to acceding a number of multilateral agreements in order to enhance the international recognition of AIFC's financial services regulatory framework and supervisory capability of AFSA over cross-border business transactions.

### Pursuing multilateral cooperation

**Global standard-setting organisations:** Multilateral co-operation has been pursued, in light of AFSA's priorities to apply the international standards advocated by global standard setters and keep the AIFC's regulatory framework aligned with the latest regulatory developments. Following peer review and a comprehensive verification process, AFSA became a signatory to IOSCO's Multilateral Memorandum of Understanding in July 2019. AFSA also initiated accession to the Enhanced Multilateral Memorandum of Understanding of IOSCO and the Multilateral Memorandum of Understanding of IAIS, which will see completion of the validation process by the end of 2020.

AFSA joined three international organisations, including the International Financial Consumer Protection Organisation (FinCoNet), the Corporate Registers Forum and the Asian Forum of Insurance Regulators. Membership of these organisations will allow enhancement of regulatory standards in consumer protection, international corporate registration practices and facilitate regional co-operation in insurance among Asian insurance regulators respectively.

Relations with IOSCO, IAIS, BSCEE, IFSB and AAOIFI continued to grow stronger, while switching to a phase where AFSA started more qualitative contributions to the missions of these organisations through active participation in discussions under different committees and working groups, contribution to formulations of standards and participation in research initiatives/surveys of international organisations.

Striving to build a regulatory framework for financial services that is compliant with the highest standards of transparency and information exchange for tax purposes, AFSA has actively engaged with the OECD, which led to the introduction of the Common Reporting Standard in 2019.

**International development finance institutions (IDFs):** Cooperation with IDFs also continued with respect to attracting technical assistance and international expertise as per AFSA's priorities. In particular, AFSA partnered with the European Bank for Reconstruction and Development on development of a crowdfunding framework in AIFC, enabling alternative fundraising opportunities as compared to conventional banking services.

## Pursuing bilateral cooperation

**Cross-border regulatory cooperation:** Bilateral regulatory co-operation has been developed with peer regulators from other countries and financial centres to be able to exchange information under a framework of regulatory and supervisory co-operation. Overall AFSA has entered into 19 agreements and memorandums, enabling cross-border supervisory and regulatory co-operation in banking, insurance, capital markets and FinTech.

Of particular focus in 2019, AFSA continued the expansion of its network bilateral agreements with counterparts in other jurisdictions. During the year AFSA entered into 8 agreements and memorandums on supervisory and regulatory co-operation with the following regulators:

- Banking Regulation and Supervision Agency of Turkey
- National Bank of Kazakhstan
- Capital Markets Board of Turkey
- National Securities and Stock Market Commission of Ukraine
- Financial Services Commission of the Republic of Korea and the Financial Supervisory Service of the Republic of Korea
- Central Bank of Armenia
- Polish Financial Supervisory Authority
- Securities and Exchange Board of India.

**Visits to AFSA:** In 2019 AFSA received 5 leading experts from peer-regulators, including SFC HK, ASIC, IOSCO, UK and Germany, who shared their knowledge during sharing sessions with our staff. AFSA welcomed over 50 delegations from different countries as part of their visit to AIFC.

**Exchange of experience with peer-regulators:** In the reporting period, AFSA visited a number of countries with the goal of benchmarking against best practices, establishing high-level contacts and initiating bilateral co-operation with financial services regulators.

## 9. PROMOTING FINTECH AND INNOVATIONS IN THE AIFC AND BEYOND

In line with the AIFC strategy, where FinTech is a key pillar of positioning the Centre as a regional financial hub, AFSA continued to establish a favourable regulatory environment for FinTech businesses with a view to promoting innovation and competition in the financial sector.

Innovation in the financial sector can help firms to deliver better financial products and services. It can lower the costs of services, improve access to finance and lead to greater competition that can benefit consumers. However, a certain level of risk to consumers is inherent in all innovations and the regulatory response may not always be proportionate to the high speed of developments of sophisticated technology-enabled financial services.

Recognising the importance of the risk-averse regulatory approach in addressing the challenges associated with innovations in the financial sector, AFSA is driving a number of regulatory initiatives to facilitate both, the development of innovations and adequate protection of consumers of financial services/products.

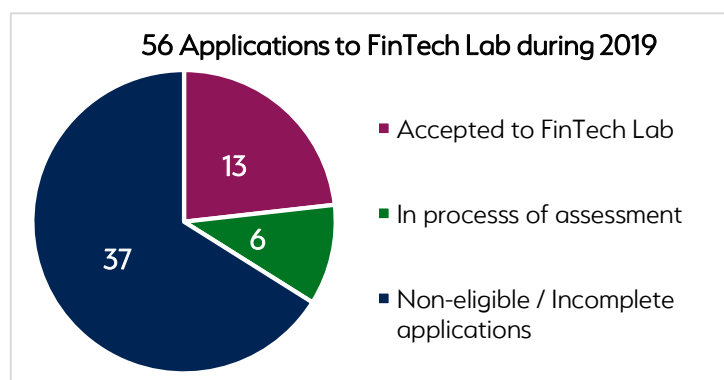
### FINTECH LAB

#### Helping firms to innovate with FinTech Lab

Regulatory uncertainty, caused by the deployment of innovative and unexplored financial services or business models, may discourage innovators and first-movers from innovating.

With a view to supporting the introduction of innovation to the financial market, in January 2018 AFSA launched the first regulatory sandbox in the region. Called the “FinTech Lab”, it allows firms to test out and develop innovative financial products and services under a special regulatory regime with tailor-made regulatory requirements applicable for each individual firm. In addition, FinTech Lab participants may also obtain individual guidance from the regulator about how the rules apply to new business models and innovative financial services (for more information on advantages of FinTech Lab please click on this [link](#) to see the 2-minutes video ).

Two years of effective functioning has proven the FinTech Lab to be a highly popular destination for financial innovators from all over the world. During 2019 the FinTech Office received/processed 56 applications and accepted 13 firms to the FinTech Lab.



By the end of 2019 there were 25 firms in total accepted into FinTech Lab from 11 jurisdictions offering 7 different types of innovative financial services (see figures 1 and 2 below).

Figure 1

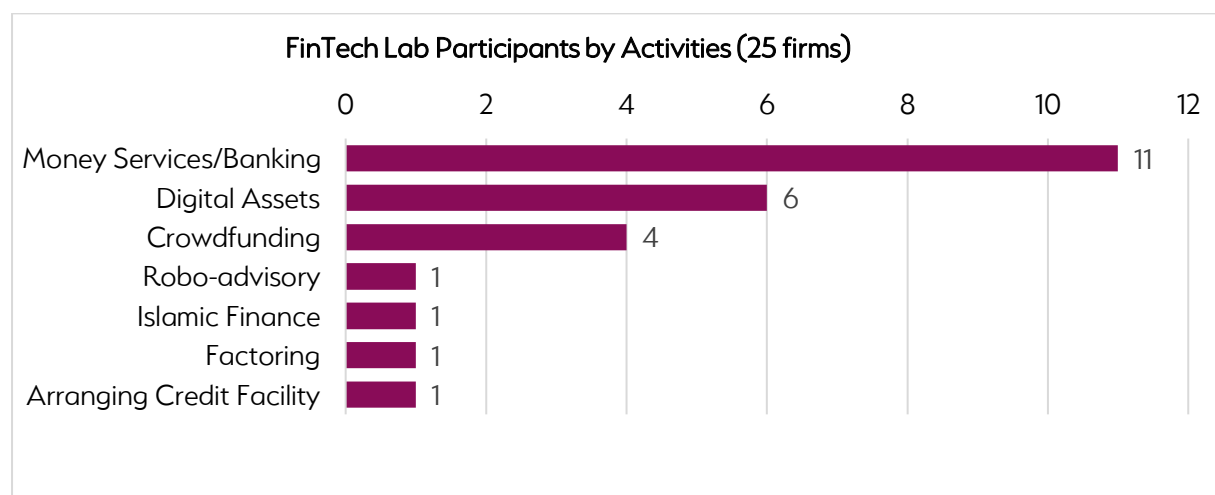
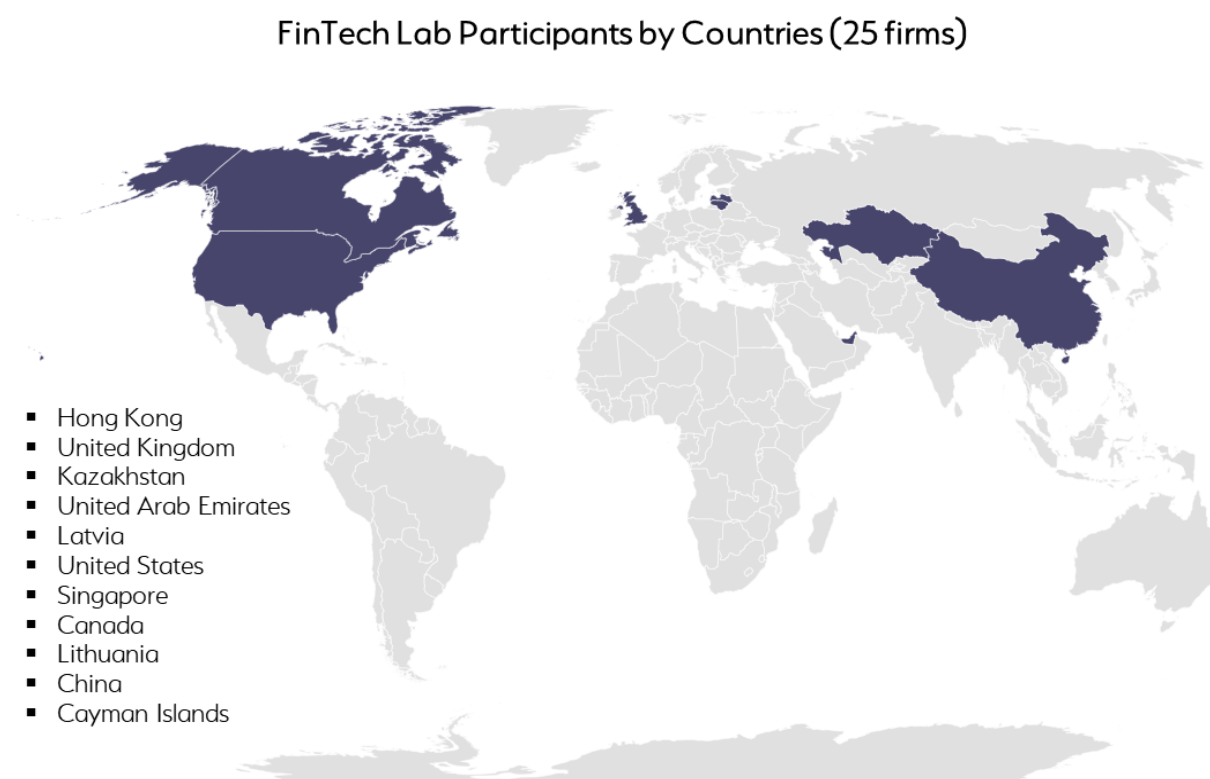


Figure 2



### FinTech Lab post-implementation reviews

Since the deployment of FinTech Lab, ASFA has made two post-implementation reviews of rules/guidance applicable to FinTech Lab and introduced several corresponding amendments to the AIFC Acts in March and December 2019 to:

- (1) introduce two FinTech Lab regimes enabling (1) Development and (2) Testing of FinTech Lab Activities:
  - (a) Developing FinTech Activities allows firms licensed in foreign jurisdictions to test local and regional demand for the proposed innovative technology-enabled financial services (in other words to “test the waters”) with minimum time and financial resources;
  - (b) Testing FinTech Activities allows start-up or incumbent firms to test new products and technologies in a live environment, with real clients, and gradually comply with the regulatory requirements;
- (2) determine testing boundaries and authorisation requirements for FinTech Lab applicants to ensure regulatory certainty on the expected testing boundaries and licensing conditions before obtaining authorisation from the AFSA; and
- (3) address lessons learnt since the launch of the FinTech Lab regime in January 2018.

### **Digitalisation of the Application Process**

To improve applicants’ user experience and work efficiency on both the regulator’s and applicants’ sides, online submission of applications to FinTech Lab through a digital portal became possible as of 15 March 2019. The digitalisation of the application process has proven useful in reducing the overall time spent in obtaining authorisation to the FinTech Lab. Currently, this takes around 1 month since the enactment of the AIFC Financial Technology Rules on 15 March 2019.

### **Collaboration with Overseas IT Universities on FinTech Lab matters**

With a view to expanding the FinTech business opportunities, AFSA has established close collaboration with local and overseas IT Universities on the following workstreams:

- To engage the university faculty and students to test their innovations within the AIFC FinTech Lab;
- To satisfy regional demand by establishing a bridge between the university innovators and market/investors; and
- To launch a new “Umbrella Sandbox” regime, which enables authorisation of a university in the AIFC FinTech Lab allowing its students to test their innovations under the strict supervision of the university, which in turn is reportable to AFSA.

As part of this initiative, a tripartite Cooperation Agreement between AFSA, the AIFC Authority and Novosibirsk State University (NSU) was signed on 27 September 2019.

### **DEVELOPMENT OF AIFC FINTECH ECOSYSTEM**

As part of its innovation policy function, AFSA completed a number of regulatory and policy initiatives, enabling the effective initiation, development and deployment of innovative business in different FinTech areas.

## **Crowdfunding framework<sup>1</sup>**

Recognising the positive role of crowdfunding in providing alternative, non-bank funding sources for firms with high growth potential to scale-up, and to meet market needs for crowdfunding services, AFSA, with the support of European Bank for Reconstruction and Development (EBRD) and a leading UK law firm, has developed and introduced a regulatory framework for loan- and investment-based crowdfunding platforms in the AIFC.

A flexible and risk-oriented regulatory policy has been developed to ensure effective protection for investors and lenders of the crowdfunding platform.

The highlights of the crowdfunding regulatory framework are: (1) the introduction of two new Market Activities of Operating a Loan-based Crowdfunding Platform and Operating an Equity-based Crowdfunding Platform; and (2) the establishment of prudential and conduct standards for operators of crowdfunding platforms, including requirements on anti-money laundering and combatting terrorism financing, fundraising limits, appropriate systems and controls, risk disclosure, conflicts of interest and due diligence of firms using crowdfunding services.

## **Framework on Extension of Regulated and Market Activities**

AFSA has developed and enacted the Framework on Extension of Regulated and Market Activities under which the existing definition of Regulated Activity of Providing Money Services has been extended and two new Regulated and three new Market Activities have been introduced to the list of regulated financial services by AFSA.

The Framework is intended to enhance the level of regulatory certainty for firms offering, or willing to offer, financial services that are not currently regulated in the AIFC and harmonise and optimise the internal AIFC legislation development process related to Market and Regulated Activities.

## **Collaboration with Bank of Lithuania (BoL)**

As part of the AFSA-BoL cooperation, established on 8 November 2018, under an MoU signed on 19 August 2019, AFSA hosted BoL representatives at the AIFC premises and conducted a joint workshop on designing the next steps on establishing an AIFC-BoL regulatory sandbox, implementing a SupTech initiative, and exploring mechanisms for providing AIFC Participants access to the European payment system (SEPA).

## **Collaboration on Intellectual Property (IP) rights**

Effective protection and management of IP rights are the major incentives underpinning the growth of innovations. AFSA strives to establish a comprehensive AIFC FinTech ecosystem that will become a one-stop-shop destination for innovators serving all their needs.

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<sup>1</sup> Crowdfunding represents an innovative funding opportunity that allows small and medium-sized enterprises and start-ups to obtain capital through small loans and equity investments from a large number of investors through an internet-based platform.

In this regard, in support of cooperation activities in the field of IP rights protection and development of innovations, AFSA entered into a tripartite Memorandum of Understanding (MoU) on 6 September 2019, together with Intellectual Property Office of Singapore<sup>2</sup> and the Ministry of Justice of the Republic of Kazakhstan. The areas of co-operation under the MoU include, *inter alia*, (1) exploring the establishment of an IP and Innovation Service Centre in the AIFC with an appropriate legal framework, (2) developing services and systems, (3) exchanging information between authorities on recent IP developments, (4) conducting capacity building programmes and (5) establishing other collaborative initiatives with a view to reducing costs related to patent registration and speeding up the process of examining applications.

## CONTRIBUTION TO THE LOCAL AND REGIONAL FINTECH ECOSYSTEM

### Global Financial Innovation Network (GFIN)

AFSA, jointly with world-renowned regulators, including the UK Financial Conduct Authority, Hong Kong Monetary Authority, Monetary Authority of Singapore and others, on January 2019 launched a network of organizations committed to supporting financial innovations in the interests of consumers called the Global Financial Innovation Network (“GFIN”).

GFIN seeks to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas on a cross-border basis. GFIN also aims to create a new framework for co-operation between financial services regulators on innovation-related topics, sharing different experiences and approaches.

AFSA, being a full member of the Coordination Group (the governing body of GFIN), offered its support and experience in all three GFIN workstreams, including cross-border testing, collaboration and RegTech. As part of the GFIN cross-border workstream, a one-month application period (pilot phase) during February 2019 demonstrated a genuine interest from the firms to simultaneously test innovative financial services in multiple jurisdictions, including in AIFC, and to gain real-time insight into how a product or service might operate in those markets. For more information on lessons learned from the GFIN cross-border testing’s pilot phase please follow this [link](#) to the GFIN annual report.

### Contribution to setting up a regional sandbox of the Eurasian Economic Union

Given that the establishment of a regional sandbox is one of the priorities of the Eurasian Economic Commission under the Eurasian Economic Union (EAEU) Digital Agenda 2025, and taking into account AFSA’s hands-on experience in developing and operating AIFC sandbox regime (FinTech Lab), AFSA provided expert support and conducted a series of research works on the development of a regional regulatory sandbox for cross-border testing of innovations within EAEU.

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<sup>2</sup> The Intellectual Property Office of Singapore (IPOS) is a government agency under the Ministry of Law, which uses intellectual property (IP) expertise and networks to drive Singapore’s future growth.



## **Passporting of fintech licences in both Eurasian and South-East Asian regions**

To open the regional markets of Eurasian and South-East Asian countries, AFSA has driven forwards an initiative on engaging with the regional regulators to allow FinTech firms authorised by AFSA to carry on permitted FinTech activities in Eurasian and South-East Asian countries without the need to obtain further authorisation from the local regulator (passporting) and vice versa.

Following existing passporting approaches of both the EU and ASEAN, we expect that this initiative will mark AIFC as an attractive place for doing FinTech business as well as improve the efficiency of the provision of FinTech services due to lower compliance costs (authorisation from each country regulator will not be required).

## **Establishment of a National Sandbox regime for cross-sectoral testing**

Given that innovations disrupt not only the conventional financial industry but also affect various sectors across industries, AFSA has initiated the implementation of a cross-sectoral national sandbox regime (excluding the financial industry), which is a special regulatory regime envisaging live testing of new products in a controlled environment with simultaneous oversight from multiple regulators across industries. Such a cross-sectoral national sandbox regime would provide several benefits for the market and economy of Kazakhstan overall:

- Society and economy – in terms of ensuring wider access with affordable and innovation-driven personalised products and services;
- Businesses – in terms of improving confidence that innovative products and services are compliant in different regulatory contexts and reducing time-to-market for such innovations; and
- Regulators – providing the possibility to learn from collaboration with innovators to develop risk-averse regulatory responses.

The above projects on Passporting of FinTech licences in Eurasian and South-East Asian regions and the establishment of a cross-sectoral national sandbox regime are being implemented under the Governmental Resolution endorsing a Joint Action Plan between the Government of Kazakhstan and the National Bank of Kazakhstan towards the development of the AIFC.

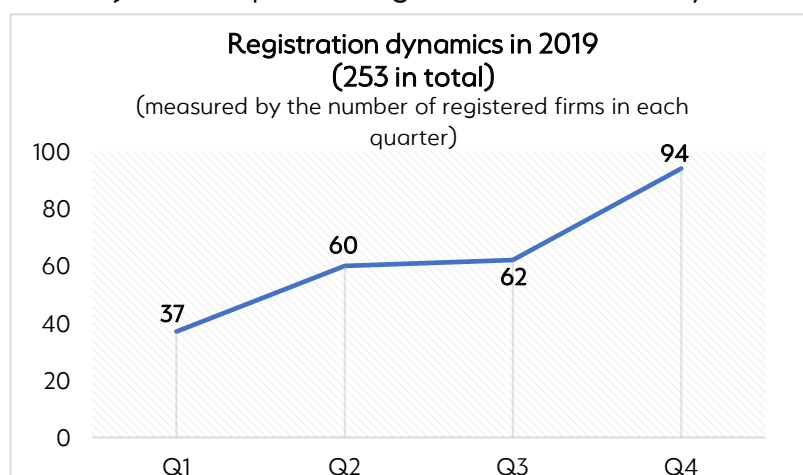


## 10. REGISTRATIONS OVERVIEW

### Registration dynamics

The number of registered firms reached 363 by the end of 2019. The fourth quarter results (94 registered firms in total) have improved registration statistics by 34% in comparison with the previous quarter (62 firms in Q3).

Overall 253 legal entities were registered during 2019, which is more than double compared with the previous year (104 firms in 2018). AFSA has been registering 7 to 8 firms per week on average.



### Year-End Figures

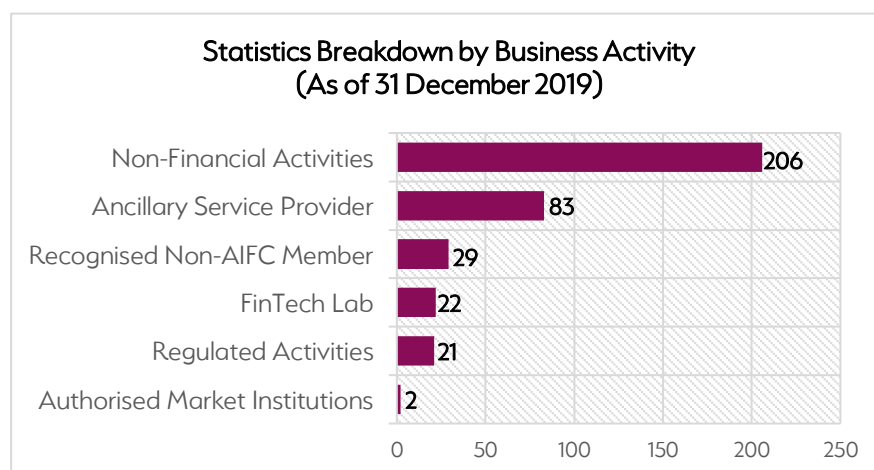
Type of activities	Number of firms		
	2017*	2018	2019
<b>Authorised activities</b>	<b>4</b>	<b>63</b>	<b>90</b>
Financial Activities	-	9	12
Ancillary Services	-	26	57
Recognised Non-AIFC members and Non-AIFC Market Institutions	-	21	8
FinTech Lab	3	6	13
Authorised Market Institutions	1	1	-
<b>Non-financial activities</b>	<b>2</b>	<b>41</b>	<b>163</b>
<b>Total</b>	<b>6</b>	<b>104</b>	<b>253</b>

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

### Breakdown by business activity

A breakdown of the data by business activity indicates that non-financial activities have been dominant in 2019, comprising 57% of all activities, while financial activities comprised 43%.

Most of the non-financial companies are mainly conducting and providing IT services, agricultural, manufacturing, data processing and hosting, subsidiary management, office



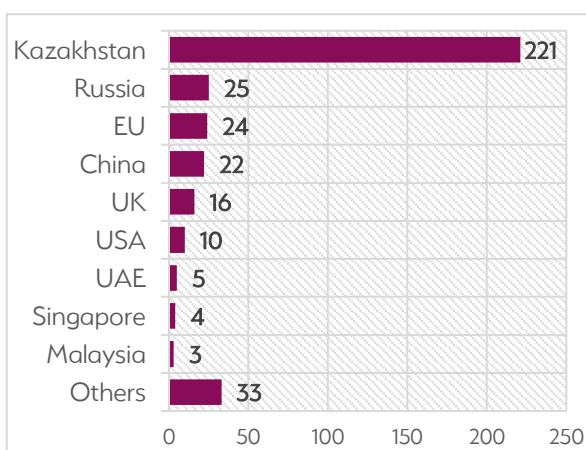
services, performing as a non-profit incorporated organisation or acting as a holding company.

Among non-financial firms that were registered in the AIFC over the past year, there are some large and well-known companies, including a largest industrial conglomerate from Turkey, one of the largest state-owned electric utility enterprises from China, a subsidiary of the largest online retailer from Russia, a holding company of the first electronic document management system platform in Kazakhstan etc.

A significant achievement over the last year was the first example of re-domiciliation (or transfer of incorporation) of a legal entity to the AIFC jurisdiction.

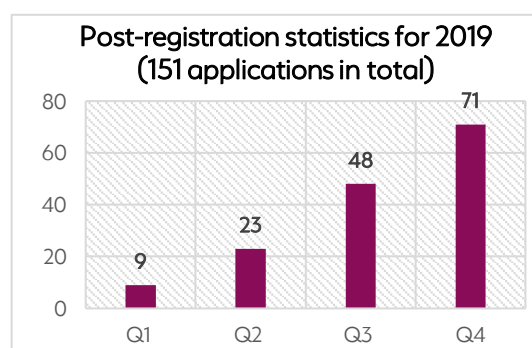
### Geographical coverage

142 firms (39% of the total number) registered and recognized in AIFC involve foreign investors, representing 33 countries, including Antigua and Barbuda, Australia, Austria, Bosnia and Herzegovina, Bahrain, Belize, China (incl. Hong Kong), Cyprus, Czech Republic, Cayman Islands, Egypt, Estonia, Finland, France, Georgia, Hungary, India, Iran, Italy, Latvia, Lithuania, Malaysia, Netherlands, Republic of Yemen, Russian Federation, Singapore, Republic of Korea, Switzerland, Turkey, UAE, Ukraine, UK and the USA.



### Post-Registration Service

As the number of registered firms reached 363 by the end of 2019, the volume of post-registration services has also increased significantly. The number of post-registration services amounted to just 20 in 2018, increasing to 151 post-registration applications in 2019. Post-registration services 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) or providing extracts from the registry of the Registrar of Companies.



## 11. SUPERVISION AND AUTHORISATION OVERVIEW

### AUTHORISATION

Throughout 2019 the number of enquiries, meetings and applications received and authorised increased significantly compared to 2018. The number of Authorised Firms trebled compared to 2018 (from 4 to 12), while the number of Ancillary Service Provider firms more than doubled compared to 2018 (from 28 to 61). For more information please see the table below.

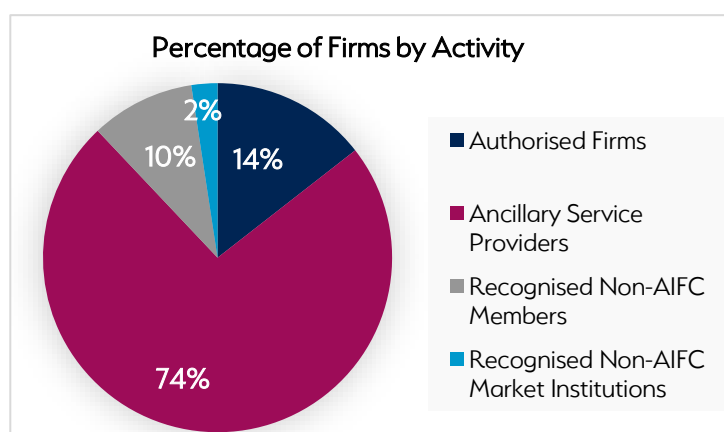
#### Authorisation Statistics

	2018	2019
<b>Inquiries</b>		
<i>Total number of applications received</i>	61	93
<b>Authorised activities</b>		
<i>Authorised Firms</i>	4	12
<i>Ancillary Service Providers</i>	28	61
<i>Recognised Non-AIFC members</i>	21*	8
<i>Recognised Non-AIFC Market Institutions</i>	0	2
<i>Approved Individuals</i>	21	26

\* RNAM status of three companies was revoked in 2019 due to transition from RNAM to a branch

The breakdown of firms by activity type is presented in the figure below:

The increased performance in authorisation was possible due to further improvements in business processes, operational steps, procedures for authorisation and establishing business flows and timescales for various activities. This allowed AFSA to respond to authorisation application enquiries within five business



days. Throughout the year, AFSA conducted explanatory work on the regulatory regime in the AIFC with interested parties to raise awareness and understanding about the AIFC. To this end, various presentations, round tables and joint working groups were undertaken.

### Key Highlights of Authorisations in 2019

#### Authorised Firms

**Banking Business.** In 2019 three banks opened branch offices and were authorised to conduct banking business and capital market operations in the AIFC. These banks include the first Kazakh bank operating through a branch office in the AIFC, one of the largest banks in the world by total assets and one start-up bank. The firms are

planning to serve the banking needs and demands of corporates and companies to support the growth of the Kazakh economy.

One bank from EU opened a representative office in AIFC. The bank is a specialised financial institution which offers financing, guarantees and risk-sharing products designed to promote the export operations. Through its representative office in the AIFC, the bank is intending to undertake marketing and promotion of the financial services of its head office.

**Insurance Business.** AFSA processed the application of a start-up Insurance Intermediary company during 2019. The firm's rationale in establishing a company in the AIFC is to act as an agent for international insurance companies who are not established in Kazakhstan but who are interested in developing their position in the region, particularly in the oil & gas sector. The sole shareholder of the applicant firm is an Austrian investment and consulting company specialising in operating and developing business in Central and Eastern Europe. Taking into account the start-up nature of the firm, AFSA proposed a list of recommendations to further strengthen the capacity of the firm's compliance with the AIFC Rules and Regulations.

In December 2019 AFSA issued a license to a captive insurer re-domiciling from Bermuda. The firm was authorised to carry on the Regulated Activities of Effecting Contracts of Insurance and Carrying on Contracts of Insurance in the AIFC for the business or operations of the Group to which it belongs. In Bermuda, the company was regulated by the Bermuda Monetary Authority. This is the first company authorised as a Captive Insurer under the AIFC Financial Services Framework Regulations and AIFC Insurance and Reinsurance Prudential Rules.

**Investment Business.** Three firms were authorised to carry out the Regulated Activities of Advising on Investments and Arranging Deals in Investments. These firms will mainly provide advice on opening trading and custody accounts, investing in public and private markets, constructing and running investment portfolios, monitoring and managing risks, asset management and brokerage activities. These authorised firms include a start-up, who received a list of recommendations to further strengthen the capacity of the firms' compliance with the AIFC Rules and Regulations.

**Asset management.** Two asset management companies from Switzerland have also been issued Licences to operate representative offices in AIFC. The companies are asset and wealth management firms established in Switzerland. Through a representative office, the firms are willing to provide information on financial services offered by their head offices and engage in promotions in relation to such information provision.

### **Approved Individuals and other key individuals**

To ensure that the right risk and conduct culture is embedded over the lifetime of a firm, AFSA makes assessments of the people that will manage the business to ensure they have the right skills, expertise and experience to do this. AFSA considered for

approval 31 key individuals for the Controlled Functions, Principal Auditor and Principal Representative statuses.

### **Ancillary Service Providers**

In 2019 AFSA considered 61 cases for authorisation of Ancillary Service Providers compared to 28 in 2018. These include 41 Consulting firms (17 in 2018), 14 Legal firms (8 in 2018), 1 Audit firm (2 in 2018), 3 Accountancy firms (1 in 2018) and 2 Credit Rating Agencies (0 in 2018). Upon successful completion of fit and proper requirements, the Ancillary Service Providers were authorised to render a wide range of services including Management Consulting, IT Consulting, Shariah Consulting, Regulatory Consulting, Legal, Accountancy, Credit Rating and Audit Services.

### **Recognised Non-AIFC Market Institutions**

AFSA recognised one central securities depository and one clearing house from EU as Non-AIFC Market Institutions to support the development of the Astana International Exchange Ltd (AIX). Post-trade services provided by these firms are recognised by the regulatory institutions of the European Union, including the European Securities and Markets Authority and the National Bank of Hungary. The firms operate under the framework of both Hungarian and EU legislation, which include EMIR and the Central Securities Depository Regulation (CSDR). AIX has selected these firms to provide a full suite of post-trade services to AIX's members for equity clearing and settlement.

### **Recognised Non-AIFC Members**

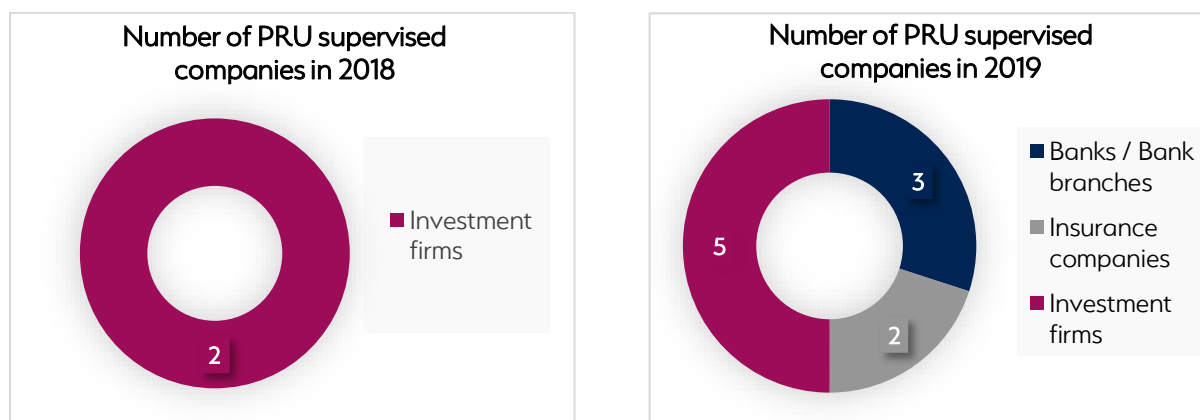
AFSA has observed interest from market participants currently regulated outside of AIFC's jurisdiction. In 2019, through the established recognition regime, 8 brokerage companies were granted Recognised Non-AIFC Member status upon satisfying fit and proper requirements. These include well-known brokerage firms from China, Cyprus, Czech Republic, Kazakhstan, Russia and South Korea.

## PRUDENTIAL SUPERVISION

AFSA's prudential supervision system aims to ensure that financial firms hold sufficient capital and have adequate risk controls in place. As financial services markets in AIFC have grown, and more authorised firms have started their operations, AFSA has commenced a prudential supervision programme. Results from the initial assessment demonstrate that regulated firms have had a positive start to commencing their businesses and look set to continue with their business development plans.

### Supervision of prudentially regulated firms

In 2019, AFSA supervised 3 bank branches, 2 insurance companies and 5 investment firms as depicted in below figures.



### Off-Site Supervision

In 2019, AFSA reviewed the performance of the bank branches to ensure that they fulfilled the conditions and recommendations imposed at the authorisation stage. As a result, it has been confirmed that the banks met AFSA's requirements to commence banking business. One branch still needed to finalise some remaining conditions in order to meet AFSA requirements.

As part of its constant off-site supervision, AFSA has been providing substantive advisory support to AIFC prudentially regulated firms through consultations and meetings.

### Development of supervision systems

**Manual for Prudential Return Forms.** For the sake of clarity and advice to regulated firms, AFSA has developed manuals for the preparation of returns for Authorized Firms carrying out Banking, Investment, and Insurance business and has made these publicly available. The main purpose of the manuals is to set out financial and prudential templates with step-by-step instructions on preparing financial returns for Centre Participants carrying out regulated activities. The manuals comply with the AIFC's Banking Business Prudential Rules, Banking Prudential Guidelines, Prudential Rules for Investment Firms, and Insurance and Reinsurance Prudential Rules.

**A focus on procedural issues that are critical to exercising effective supervision:**



**Procedures on on-site and off-site Supervision.** During 2019, a Policy on Authorisation and Supervision and the Procedures for On-Site and Off-site Supervision for the Regulatory Office of AFSA were developed, establishing a general framework for off- and on-site supervision. It implements risk-based approaches that allow a supervisor to make well-informed decisions and oversee core business indicators of an authorised firm on an arms-length basis. The Off-site Procedure sets out the prudential risk profile of a supervised entity, supervision planning, early warning system tools, stress testing analysis, and macroprudential analysis.

**Supervisory review and evaluation process.** AFSA has developed internal guidelines on standard procedures and methodologies for the supervisory review and evaluation process (SREP) based on the policies of the European Banking Authority. The SREP framework addresses business model analysis, assessment of internal governance, assessment of risks to capital, and capital adequacy to cover these risks. It also evaluates risks to liquidity and adequacy of liquidity resources to cover these risks.

**Risk Management Framework.** At the beginning of 2019, four main components of the updated Risk Management Framework of the AFSA were introduced:

- 1) Risk Management Policy, which outlines AFSA's risk management process and sets the standards and responsibilities of stakeholders about risk management. It requires the promotion of a culture of risk-based approach taking throughout AFSA to address the risks associated with achieving its intended goals.
- 2) Risk Strategy, which sets the roadmap on developing AFSA's risk culture. It primarily focuses on developing AFSA's Internal operational environment.
- 3) Risk Statement, which is an annual statement by the Board on the levels of risk that are acceptable to achieve the strategic goals. This document provides a balance between the AFSA strategic goals and risk tolerance.
- 4) Quarterly Risk Management Report, which sets out an analysis of current risk levels, assesses compliance with the Risk Statement, and reports on progress in implementation of the Risk Strategy.

## CONDUCT OF BUSINESS SUPERVISION

Conduct supervision is part of ASFA's integrated system of regulation, whereby AFSA assesses, monitors and mitigates conduct risk across the full range of Authorised Firms. ASFA also monitors the activities of Registered Auditors, Credit Rating Agencies (CRAs), consultancy firms, and certain other types of entities that fall under the definition of Designated Non-Financial Business or Profession (DNFBPs), such as law and accounting firms, and company service providers. The following table summarises conduct supervision statistics.

Conduct supervision statistics

Activity	
<i>Off-site monitoring of Authorised Firms according to Risk-Mitigation Plan</i>	5
<i>On-Site visits</i>	9
<i>Off-site monitoring of Conduct Risks</i>	4
<i>Off-site monitoring of AML/CFT Systems and Controls</i>	32
<i>Licence Variations</i>	2
<i>Approval of Key Individuals</i>	4
<i>Application Forms Developed</i>	2
<i>Regulatory Reporting Templates Developed</i>	16

## Regulated Firms

Overall, AFSA supervised 85 firms and 71 key individuals in 2019. The firms ranged from banks and investment firms to small consultancy firms as depicted in the below figure.





**System of conduct supervision Supervisory toolkit.** AFSA worked on further enhancement of existing supervision tools and the development of new tools with a view of meeting the Regulatory Objectives 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 Persons were exposed to the Conduct of Business Supervision Procedures with detailed steps and Supervisory Tools aimed at assessing various risks and ensuring that financial services firms operating in the AIFC meet the standards of conduct expected of such firms.



**Regulatory returns.** Conduct supervision tools include a regulatory reporting framework in order to improve the efficiency and effectiveness of monitoring of regulated entities and off-site monitoring of the activities of Authorised Firms in the AIFC. Regulatory Returns Forms were distributed to 2 Banks and 2 Investment Firms. Forms seek data related to the Investment Business activities, including information on the monetary value of assets under management and the data on transactions, financial products advised, clients and the staffing of the firms. This information assists AFSA in determining the scale of activities carried out in the AIFC and assessing whether Authorised Firms follow their business plan and strategy.

**Meetings with Key Individuals.** Meetings were held with Key Individuals of Investment Firms to discuss the firm's business operations and identify areas requiring attention. During the meetings, supervisors discussed business models, strategy, and the product life cycle of firms. In addition, firms have provided their recommendations and suggestions on how to facilitate the business environment in the AIFC and improve the legal and regulatory framework.

**On-site visits.** Following completion of the authorisation process, AFSA visits the physical premises of firms to gain an overall understanding of the firm's organisation, whether firms have started their operations and client on-boarding processes, and what the current workflows, staffing and human resources policies are. Overall AFSA carried out 9 on-site visits, including 7 DNFBPs and 2 Authorised Firms.

## AML/CFT Regime

One of our key regulatory priorities is combating money-laundering and terrorist-financing risks, along with the Financial Intelligence Unit of the Republic of Kazakhstan. In that context, the Republic of Kazakhstan will be subject to a mutual evaluation assessment by the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) in 2021. As part of this Mutual Evaluation, EAG assessors will focus on whether the AIFC jurisdiction has implemented the FATF Recommendations and how successful it is in maintaining a strong AML/CFT system.

## AML/CFT Supervision

In 2019, AFSA developed its AML/CFT supervisory programme, which includes:

- reviewing relevant and up-to-date data from the annual AML Returns lodged by Centre Participants;
- conducting on-site AML risk assessments of Authorised Firms, Registered Auditors and DNFBPs; and
- thematic reviews across one or more AML/CFT issues.

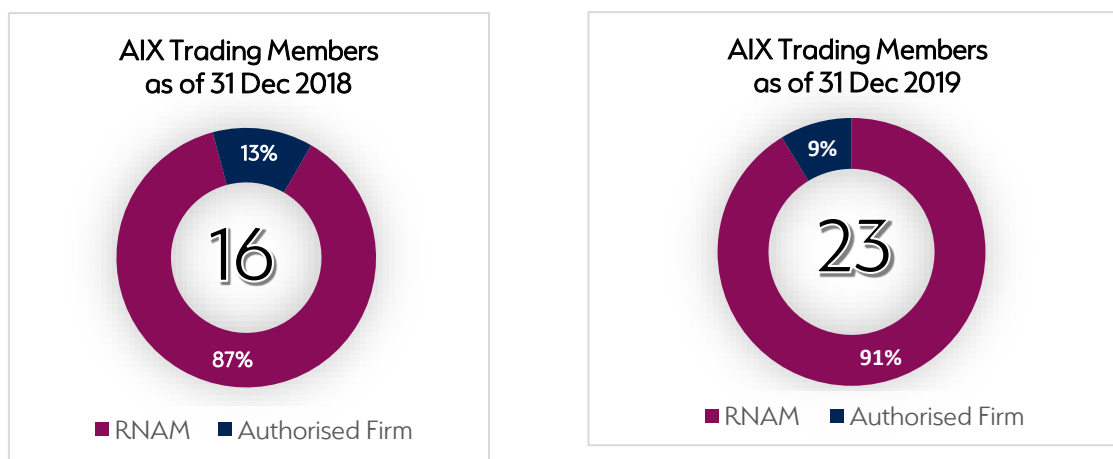
AFSA will continue improving and enhancing its AML/CFT framework concerning emerging risks.

**AML/CFT Systems and Controls Review.** AFSA completed a desk-based review aimed at assessing firms' AML systems and controls. Included in the assessment was 1 Authorised Market Institution, 4 Authorised Firms, 3 Registered Auditors and 24 DNFBPs. The firms were requested to conduct a self-assessment, which sought to highlight any key risk areas and improvement opportunities. In addition, the quality of firms' AML Business Risk Assessment and AML/CFT policies and procedures was assessed.

The areas for improvement involve the quality of AML Business Risk Assessments carried out and documented by Relevant Persons. AFSA required a number of firms to remediate identified deficiencies in AML/CFT systems and controls. In particular, customer risk assessments, initial and on-going customer due diligence, and training and awareness programmes were improved to ensure alignment with FATF Recommendations.

## CAPITAL MARKET SUPERVISION

The past year is a demonstration of the AIFC Capital Market growth. The number of firms operating in and from the AIFC grew in 2019 so that the Astana International Exchange's ("AIX") trading population now consists of 23 entities, including 21 Recognised Non-AIFC Members ("RNAMs"), and 2 Authorised Firms. Representation from Kazakhstan, Czech Republic, Russia, Cyprus and China was present in this pool of trading members.



### Supervision of Authorised Market Institutions (AMI)

In 2019, the AFSA Capital Markets Division's oversight of AIX enabled the AIX to structure and launch new trading instruments within AIFC. Positive outcomes of this are seen through the issuance of 5 new Exchange Traded Notes (ETNs) through AIX Special Purpose Companies (SPCs).

The primary goal for the launch of ETNs is to offer local retail investors a wide range of tradable products, that will track certain securities (indexes, ETFs etc.) that are non-taxable.

#### AFSA's oversight of AIX highlights in 2019:

- (1) Introduction of new Junior Mining Company Rules
- (2) Issuance of 5 ETNs through AIX SPCs
- (4) Implementation of AIX's Regulatory & Compliance functions
- (5) Joint efforts to simplify onboarding of AIX issuers

AFSA conducts continuous oversight of AIX's Regulatory and Compliance functions to ensure fair and transparent treatment of all AIX trading/clearing members and issuers.

We will continue to build on last year's achievements and endeavour to support AIX in developing and enhancing the existing regulatory framework to further simplify AIX onboarding of issuers.

**Oversight in relation to Regulatory & Compliance functions of AIX activities.** Throughout 2019 AFSA verified and assessed various regulatory functions that AIX must perform, in relation to admitting Securities to trading, operating an Official List and enforcing its Business Rules.

The table below shows the key highlights of AFSA's supervision of AIX:

<b>Total number of AIX requests</b>	<b>28</b>
<b>Total number of waivers granted</b>	<b>7</b>
<b>Total number of recognised exchanges</b>	<b>5</b>
<ul style="list-style-type: none"> <li>- London Stock Exchange (LSE);</li> <li>- LSE AIM (Alternative Investments Market) of LSE;</li> <li>- Euronext Dublin;</li> <li>- Hong Kong Stock Exchange (HKEX);</li> <li>- Shanghai Stock Exchange (SSE).</li> </ul>	
<b>Total number of halts/resumptions</b>	<b>11</b>
- where halts/resumptions were based on the disclosers' data and Book-building activity	9

AFSA was informed of all AIX critical IT incidents and ensured no financial losses were incurred by AIFC trading participants.

**Approval of AIX Business Rules.** AFSA has reviewed and approved modifications to AIX Business Rules, Green Bonds Rules; AIX Listed Fund Rules; AIX Mining Company Rules; and AIX CSD Business Rules. AFSA contemplates that these timely enhancements of the Rules will allow for favourable developments of AIFC's securities market.

**Total number of new issues/products in 2019.** AFSA is informed of and reviews all new issuances that the AIX intends to admit to its official list. A total of 48 new issuances on AIX, from 25 different issuers\*\* were processed in 2019:

Securities	Issuance in 2018	Issuance in 2019	Total*
<i>Equities</i>	4	7	11
<i>ETN/ETF</i>	-	7	7
<i>Debentures</i>	8	22	30
<b>Total</b>	<b>12</b>	<b>36</b>	<b>48</b>

\*Includes 36 private placements

\*\*Some Issuers have several securities issuances (ex. Halyk Bank issued 7 bonds, Common Shares and GDR, AIX Group issued 5 ETNs, etc.)

## Dynamics of the securities market in AIFC

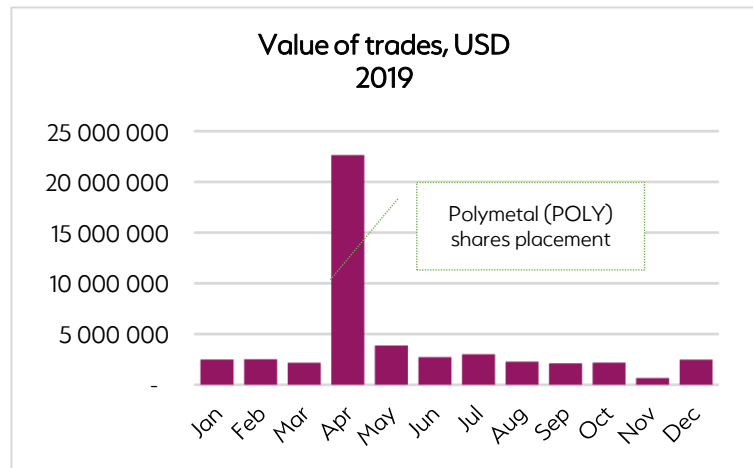
More than 97% of the trading activities on AIX is composed of equities trading and 47.9 million US dollars were raised through AIX equity trading activities in 2019.

### Total number of trades and total traded value for 2019

Securities	Number of trades	In Millions of USD	%
Equities	5637	47,9	97,30%
ETN/ETF	13	0,2	0,33%
Debentures	7	1,1	2,37%
<b>TOTAL</b>	<b>5 657</b>	<b>49,2</b>	<b>100%</b>

## Trading data - Total numbers per month/for the year 2019

The chart on the right shows the traded USD values per month for 2019. The month of April was marked by Polymetal's new listing, which placed 20 million USD (just over 469 million ordinary shares) on the AIX Official list for trading. Trading on AIX only commenced in November 2018, therefore the trading activities reflect the start-up nature of the exchange.



## AIX CSD supervised activities

As expected, the total number of trades cleared are directly linked to the volumes of trades executed on AIX in 2019.



## Clearing and settlement data

### Number of trades cleared

Number of trades cleared	
o Equities	5637
o Bonds	7
o ETF/ETN	13
o OTC	689

#### AIX CSD highlights

- Link with NASDAQ Dubai is under discussion
- CCP arrangement with Keler, under approval by the Hungary regulator
- Thomas Murray assessment = A rating, "on watch"
- No defaults
  - 1 failed trade

The OTC numbers reflect transfers and conversions made by clearing participants in 2019.

## Value of trades settled

Value of trades settled	USD	KZT	Total, USD
o Equities	26 321 829	8 219 628 598	21 831 682
o Bonds	1 166 418	0	1 166 418
o ETF/ETN	162 029	0	162 029
o OTC*	-	120 832 030 923	320 935 009

*\*these numbers include internal and external transactions and conversion from/to shares/GDRs*

AIX CSD accounted for 23 domestic and 5 non-domestic participants. Custodians and settlement banks were PJSC Rosbank (Russia); JSC ATF Bank (Kazakhstan); JSC Bank CenterCredit (Kazakhstan); and JSC Halyk Bank (Kazakhstan).

## Supervision of Recognised Non-AIFC Members

AFSA supervised 26 Recognised Non-AIFC Members (RNAM) during 2019. This status is needed for AIX trading members that do not register in the AIFC but are licensed by their own lead financial services regulator for continuous supervision in their home jurisdiction.

Within the reporting period, 21 RNAMs were AIX trading members, 5 RNAM statuses expired as they did not apply to be AIX trading members, and one is not yet a trading member (but is in progress). AFSA grants RNAM status with a 180-day delay to apply for AIX trading membership.

The oversight function of AFSA aims to receive regular reports from all RNAMs, as they must comply with reporting obligations and notify AFSA of important events and changes that may affect their AFSA license recognition.

### 13. ENFORCEMENT

During the second half of 2019, the AFSA finalised its Enforcement Policy to ensure that the Centre Participants are aware of the AFSA approach to enforcement, investigations and the subsequent role of the Decision-Making Body (the Enforcement Committee). This has now been formally adopted and is accessible to Centre Participants to reassure them that AFSA's actions will be transparent, fair and consistent during the enforcement process. The Enforcement Policy is a public document accessible to AIFC participants to ensure transparency, fairness and consistency in the enforcement process.

AFSA has also developed a more technical and process-oriented Enforcement Guide in line with current best practices internationally. The Guide will assist AIFC and AFSA staff fully understand the procedures and decisions related to enforcement investigations, which are based on globally comparable benchmarks used in other English law jurisdictions.

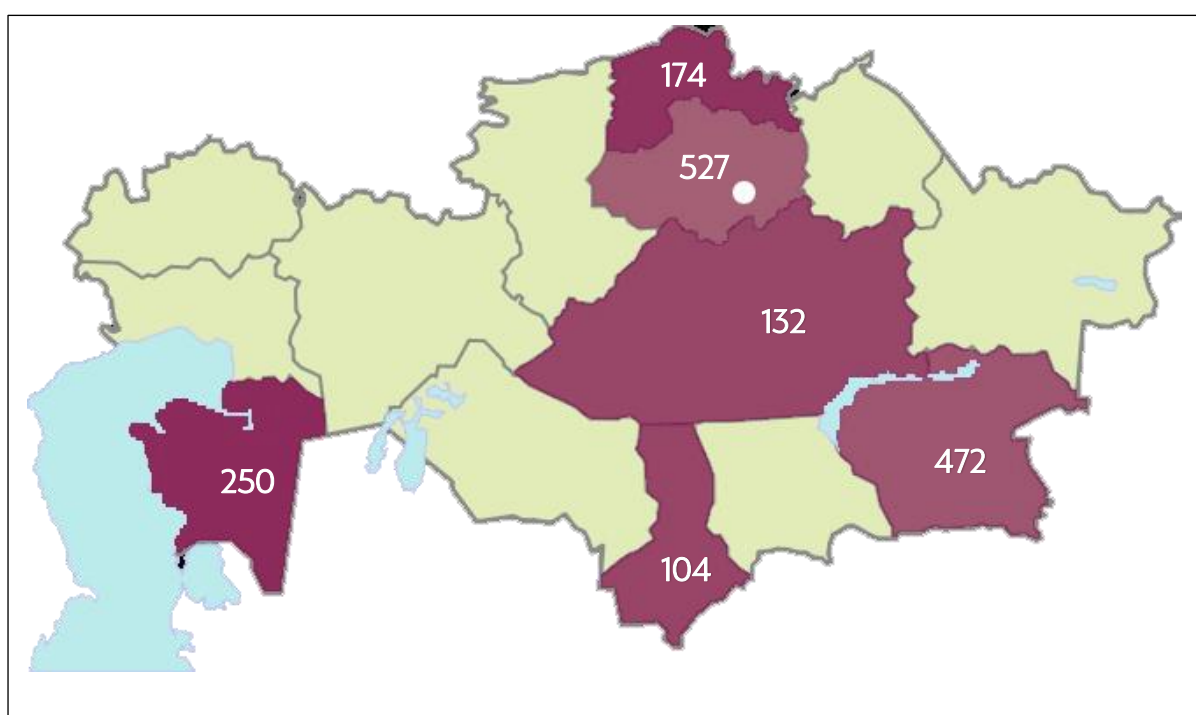
## 14. KEY INITIATIVES REVIEW

### World Investor Week (WIW) in AIFC

AFSA, jointly with the AIFC Authority and AIFC Bureau for Continued Professional Development, held World Investor Week 2019 under the auspices the International Organization of Securities Commissions (IOSCO). This is the second time that AIFC has joined the global campaign to promote investor awareness and protection. This year's World Investor Week 2019 in AIFC was held from 30th September to 6th October. More than 1 600 participants in 6 cities of Kazakhstan took part in World Investor Week 2019 in AIFC: Petropavlovsk (30 September), Aktau (1 October), Karaganda (2 October), Turkestan (3 October), Almaty (4 October), and Nur-Sultan (6 October).

The events within the World Investor Week 2019 programme looked at fostering a deeper understanding of consumer protection, financial services and business opportunities offered in the AIFC, the issuing procedures of Green and Islamic Bonds, the benefits of registration and educational and training programmes in AIFC.

World Investor Week 2019 in AIFC consisted of initiatives such as the Investor Awareness Roadshow, Islamic Finance Week, Almaty Finance Forum, and an Investors' Day Conference.



*Map showing the regions of Kazakhstan involved in the activities of AIFC within WIW 2019 (including the number of participants from each region)*

**Media coverage of 2019 WIW in AIFC:** The 2019 WIW was broadly covered by the Kazakh Media, including 27 articles published, mostly in online platforms and 182 mentions in different social media, including posts and commentaries.



## Human Capital Development

**AFSA Employees:** Staff members of AFSA are graduates from the USA, UK and other European countries. 60% hold a master's degree. 23% are graduates of the Bolashak Presidential Scholarship Programme and 3% are graduates of Nazarbayev University. AFSA is committed to providing equal opportunities for men and women. Overall, women accounted for 55% of AFSA staff and men 45%.

**Managing talents:** AFSA is highly supportive of and provides all possible opportunities for the continuous professional development of its Employees. 38 Employees went through professional development in 2019, provided by Institute of Directors (UK), PROSCI (USA), IOSCO and Harvard Law school, New York University and other global financial institutes. FSI Connect and Coursera online platforms are available for AFSA Employees.

**Attracting and hiring of highly qualified mid-senior, senior staff and experts:** To attract and retain highly qualified staff, AFSA collaborates with leaders in Consulting and Executive searches, including: Korn Ferry (London and Istanbul offices) and WE Partners (Allianz of Korn Ferry). In addition, 4 Experts were engaged in 2019.

## 13. LOOKING FORWARD

### Policy and legislative development

During the upcoming legislative period, AFSA will appoint workstreams on further strengthening and improvement of the AIFC regulatory environment in line with the international standards of IOSCO, IAIS, BCBS and IFSB. Specifically, planned policy initiatives will be developed around the following: (1) introduction of a currency regulation framework with National Bank of the Republic of Kazakhstan; (2) enhancement of markets and markets' infrastructure framework; (3) improvement of prudential and conduct frameworks; and (4) enhancement of legal entities' framework.

AFSA's policy work will also build on strengthening existing regulations and rules on the banking and insurance business frameworks, including Islamic banking, takaful, insolvency, AML/CFT, customer protection, markets framework, currency regulation, waivers and the modification framework. Frameworks enabling new financial services and expanding strategic directions of AIFC will be adopted.

### International relations

AFSA's international relations will be directed by accession to multilateral agreements such as the IOSCO EMMoU and IAIS MMoU. This should enhance our supervisory capabilities, facilitate cross-border business opportunities for AIFC Participants and obtain international recognition of the financial services framework. Bilateral relations will be pursued with a select number of peer regulators where cross-border operations between jurisdiction exist or are planned to exist.

Efforts will start on the implementation of longer-term initiatives to secure recognition of AIFC as an international financial hub that is transparent and open for business. Such projects will include the integration of OECD standards concerning prevention of harmful tax practices and the implementation of the FATF recommendations as part of a mutual assessment of the Republic of Kazakhstan.

### Registration

Building on the achievements of 2019, the registration processes will be further improved with globally comparable corporate registration practices. Planned initiatives will include: (1) digitalization of post-registration services; (2) shortening of response times; (3) simplifying the registration process; (4) monitoring and enforcement of firms conducting non-financial business in the AIFC; and (5) adoption of a striking off policy and redomiciliation procedures. In addition, outreach sessions will be held for AIFC Participants on how to comply with requirements under the applicable laws of AIFC, registration and post-registration services and authorisation procedures.

## Supervision

Digitalisation will be high on the agenda of supervision and authorisation processes and procedures throughout 2020. Shortening response times for applicants and streamlining licence granting procedures (based on feedback from AIFC participants) will be implemented. Online submission of regulatory returns, SupTech solutions, Supervisory Review and Evaluation Process tools will become part of the supervision system of AFSA. As AIFC markets grow and mature, AFSA will proceed with selected off-site and on-site supervision over authorised persons following risk-based supervision principles. In terms of capital market supervision, on-site supervision of authorised market institutions and recognised non-AIFC market institutions will be carried out.

AFSA will further promote integrity, transparency and client protection in business conduct through the adoption of AML-CFT guidelines for AIFC Participants, the implementation of complaints handling system and enhancing the consumer protection framework.

AFSA will strive to protect customers from activities not permitted in the AIFC, and from financial products that are high risk, through the strict enforcement of the rules and will resolve disputes between customers and Centre Participants in a fair and timely manner.

Around 10 workshops will be delivered to Authorised Persons on supervision cycles, regulatory requirements, compliance with AIFC regulations and rules, as well as enforcement procedures. Consequently, AIFC market participants will benefit from having adequate knowledge and expectations to better follow and comply with the regulatory frameworks.

## FinTech

AFSA's priorities in 2020 will include further strengthening the FinTech regulatory environment in AIFC to complement the existing framework and related rules. Upcoming initiatives on the further development of FinTech will cover frameworks on: (1) E-Money and Payment services; (2) Mobile/Digital Banking; (3) Venture capital financing; (4) IP rights; and (5) E-commerce, some of which will depend on the availability of funding.

Streamlining admission of applicants to the FinTech Lab, including shortening response times and review of applications, will see incremental improvements through digitalisation, automation of application submission, application assessment, reporting and supervision through an online portal.

## CONTACT US

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AIFC Business Connect 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 73 30; +7 7172 64 73 31 or [bdo@aifc.kz](mailto:bdo@aifc.kz)

For registration and authorisation inquiries, please contact us at [registration@afsa.kz](mailto:registration@afsa.kz) or [authorisation@afsa.kz](mailto:authorisation@afsa.kz).

Web-site: [www.afsa.kz](http://www.afsa.kz)