



Annual Report on the Activities of the Astana International Financial Centre 2020

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This Annual Report contains general information about the Astana International Financial Centre (AIFC) and is intended for informational purposes only. The AIFC shall not be responsible for any liability arising from the use of the information herein. This Annual Report contains forward-looking statements concerning AIFC's 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 AIFC'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. There are several factors that could affect the future operations of the AIFC, 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 AIFC nor any of its officers, agents, employees, or contracted partners 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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Welcome message to the Annual Report



DR KAIRAT KELIMBETOV
Governor
Astana International Financial Centre

Today we are witnessing unprecedented changes in economic and social behavior on a global scale. The Fourth Industrial Revolution (4IR), convulsions in energy markets, increased attention to responsible investment, slower globalisation, and uneven growth in emerging markets - all of these have generated dynamism but also volatility in the global economy. Now, the pandemic and its consequences will significantly accelerate or modify many of these processes.

Such drastic upheavals call for new reforms. While fighting the disease and keeping the economy afloat, governments across the globe are also trying to upgrade their institutions to sustain longer-term growth and make their economies more resilient to external shocks.

The initial concept behind creating the Astana International Financial Centre (AIFC) was to anticipate these trends and to create a set of modern institutions in the heart of the Kazakh capital. Celebrating the 5th anniversary of this concept, we are pleased to announce a new stage of development in which we gradually move from establishing infrastructure to focusing on growth of business activity and facilitating investment into the region.

This evolutionary process has proved to be very timely given the current demand for new approaches and instruments. As we enter a new decade, the role of the AIFC is becoming more important in developing local markets, attracting fresh capital, and strengthening human capital. The AIFC is also establishing itself as the modern and flexible conduit of government programmes aimed at long-term growth and development.

This report includes an overview of our activities, presents the AIFC's far-reaching vision, and lays out practical solutions for investors and market participants, both local and international.

Preface

The coronavirus swept the world quickly, but the battle against it will carry on for years. The global economy is presently suffering its greatest crisis since the Great Depression. Amidst the severe downturn and cascading crises in public health, industrial output, global trade, and sovereign debt, every nation must re-evaluate its fundamental preparedness to absorb shocks and deploy all available resources to strengthen itself for the future.

Over the past three decades, Kazakhstan's international profile has risen steadily. The country has stood out among central Eurasian powers for its deft multi-directional diplomacy, continuously reforming economy, and vibrant society. Kazakhstan has also taken advantage of its propitious geography, making itself a vital crossroads for the growing commercial links between Europe and Asia. Amidst protectionist pressures, Kazakhstan nonetheless stands to benefit from the trade complementarities between these two largest zones of the world economy.

Kazakhstan's success is evident in many ways that one can directly witness across the country, from its upgraded roads and railways to its modern urban facades and retail showrooms. Many observers may not be aware that, after a quarter-century of emigration, Kazakhstan now boasts a fast-growing population of foreign residents who have made Kazakhstan their new professional home. And with climate change looming as

another major threat to mankind, Kazakhstan is well-positioned as an oasis, with abundant energy resources, farmland, forests, and renewable freshwater supply.

The Astana International Financial Centre (AIFC) is marking its 5th anniversary with this special report that presents the next generation of opportunities Kazakhstan is fully committed to realising. AIFC's role in implementing this vision is expanding significantly both as an investment hub and now also as a business facilitator. It is a seamless one-stop portal for investors to access financial and legal services as well as an active conduit for the development of a wide range of sectors from commodities to e-commerce to education.

Despite the headwinds, Kazakhstan remains on course to accelerate privatisation, develop its capital market, strengthen the footing of domestic companies, expand the wealth management sector, and undertake other major initiatives that will elevate the country's position as an investment destination.

This report provides an exciting window into the AIFC's institutional arrangements, accomplishments, and ambitions for the years ahead, from fintech products to green bonds to cutting-edge technologies.

DR PARAG KHANNA

Founder & Managing Partner
FutureMap



SECTION 1

Performance and Prospects for Kazakhstan's Economy

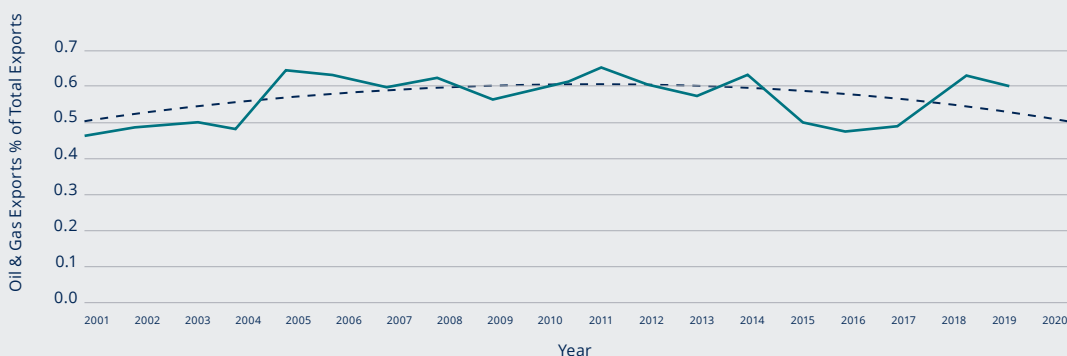
Despite the coronavirus pandemic prompting stark downward revisions to global growth forecasts, Kazakhstan's continued economic diversification, friendly policy environment, and strong fundamentals make it an attractive investment destination over the long term, with opportunities in tech, agriculture, infrastructure, mining, energy, and finance, all of which remain priority sectors for the AIFC.

Over the near term as well there is reason for optimism. In its latest forecast, the International Monetary Fund (IMF) expects Kazakhstan to post a V-shaped recovery, with the economy slated to shrink by 2.5% in the current fiscal year before bouncing back sharply to grow by 4.1% in 2021. Growth will likely be sustained over the medium term as domestic consumption picks up, thanks in part to the rapid roll-out of e-commerce and a wide range of digital services, including more reliable e-payment systems.

Kazakhstan's strong external balance sheet also bodes well for the country as it navigates the economic fallout from the coronavirus pandemic. Kazakhstan's government debt was only ~7.2% of GDP in 2019. Limited borrowing and low debt repayment pressures give the country adequate room to stimulate the economy as downside risks from COVID-19 become more pronounced. And though FDI flows will be tempered, mining, professional services, and manufacturing, which have attracted the bulk of overseas investments in recent years, will remain attractive as the global economy recovers.

Kazakhstan's economic fortunes, however, remain tethered to oil prices. And as oil prices reach unprecedented lows they could prove to be a drag on growth.

KAZAKHSTAN'S OIL AND GAS EXPORTS AS A PERCENTAGE OF TOTAL EXPORTS (2001-2019)



Source: IMF and stat.gov.kz

However, as the graph of oil export revenue as a share of total export revenue highlights, Kazakhstan's dependence on oil and gas exports appears to have peaked around 2009-10, and the 'break even' fiscal oil price for Kazakhstan has gone down from \$115/bbl in 2015 to \$68.4/bbl in 2019. As attempts to diversify the economy continue, Kazakhstan's vulnerability to oil and gas price fluctuations will likely wane further. Key non-oil sectors include metals, inorganic chemicals, and financial services.

CONTINUING ECONOMIC DIVERSIFICATION

As the coronavirus pandemic gives governments around the world impetus to make their economies more resilient, over the medium term Kazakhstan's efforts to diversify its economy look set to gain further momentum as the country leverages existing infrastructure and 4th Industrial Revolution (4IR) technologies and scales up clean energy production as well as the circular economy to boost non-commodity sectors. Kazakhstan also recognises that the many new models businesses have adopted in recent months - including remote access to services and 'low contact' logistics and transportation - are here to stay. In addition to the sectoral diversification that has been underway for some time, as Kazakhstan adopts these new models more widely it will help the country better integrate with numerous economic blocs such as the Belt and Road and the Eurasian Economic Union.



SECTION 2

The Astana International Financial Centre (AIFC)

A LOOK BACK, AND A LOOK AHEAD

The AIFC traces its founding to Kazakhstan's "100 Concrete Steps" National Plan announced in 2015. The basis for the centre's establishment was a Presidential Decree and the Constitutional Statute of 7th December 2015. Subsequently, the AIFC Management Council laid out a development strategy that would give the institutions their initial focus on developing capital markets, Islamic finance, fintech services, asset management, and private banking.

The AIFC was formally launched in 2018 with the goal of developing financial services and spurring global investments into Kazakhstan and putting the country on a steeper and a more resilient growth trajectory. As the first institution of its kind in the region, the AIFC offers a comprehensive platform to facilitate and protect investments. With over 70 experts and advisors from 35 countries currently part of AIFC, the centre has been able to adopt a range of best practices from similar institutions across the globe — from New York City and London to Dubai, Hong Kong, and Singapore.

The AIFC established its unique legal regime for its successful operation, which statutory legislation is based on principles, legislation and precedents of the law of England and Wales and the standards of leading global financial centres.



NURSULTAN NAZARBAYEV

First President
of the Republic of Kazakhstan - Elbasy
January 26, 2018

“AIFC has every chance to become a regional financial hub and a centre for green, islamic, innovative financial products development. Within the framework of large-scale privatisation, AIFC is a place to list assets of the largest national mining, metallurgical, oil and gas, energy, transport enterprises, among others.”

Chronology of Successes



JULY 2018

The first Astana Finance Days Forum is held

JANUARY 2019

The United Kingdom's HM Revenue and Customs recognises the AIX

APRIL 2019

The AIFC Advisory Panel on Legal Regulatory Matters is established; The Russian mining company Polymetal becomes the first foreign company to list on the AIX

OCTOBER 2019

AIFC wins the 2019 AsiaMoney Award

FEBRUARY 2020

Chevron and Tengizchevroil LLP choose the IAC and the AIFC Court for dispute resolution in Kazakhstan

MAY 2020

The AIFC Advisory Council on the Development of LegalTech is established

NOVEMBER 2018

Trading on the AIX officially begins, and the IPO of Kazatomprom is held with the participation of Elbasy, the First President of the Republic of Kazakhstan Nursultan Nazarbayev

FEBRUARY 2019

The AIFC Court and International Arbitration Centre launch a new e-filing system

JULY 2019

The second Astana Finance Days forum is held; AFSA becomes signatory to IOSCO's Multilateral Memorandum of Understanding

JANUARY 2020

Thomas Murray Consulting rates AIX's Central Securities Depository risk at level A denoting low risk

MARCH 2020

First RMB-denominated bonds are listed on the AIX; The first Islamic bond is cross-listed on the AIX



KASSYM-JOMART TOKAYEV
President of the Republic of Kazakhstan
May 11, 2020

“Under conditions of increased competition for foreign capital, you should switch to direct work with each capital holder. It is necessary to develop individual support measures for each investor based on our priorities and the potential effect on the economy as a whole. As part of this important work, the Government should

ensure a stable regime for all investment legislation for strategic investors in priority sectors.

It is necessary to intensify the use of the potential of the Astana International Financial Centre to attract investment and develop the stock market. This is especially important in light of the upcoming privatisation of state assets.

Access should also be provided to Kazakhstani entrepreneurs to take advantages of the English law and arbitration in the AIFC in resolving business disputes. It is necessary to begin work on the phased transfer of individual structures belonging to national companies from foreign jurisdictions to the AIFC.”



As the AIFC's expertise in financial services grows, the next natural step in the centre's evolution is to establish itself as a key platform for financial intermediation and business development in the region.

To this end, the AIFC is developing a comprehensive policy to spur international partnerships and streamline investment processes. The centre will also strengthen links with other financial institutions and key global companies, while expanding the range of products and services it offers to include agricultural financing and real-estate investments.

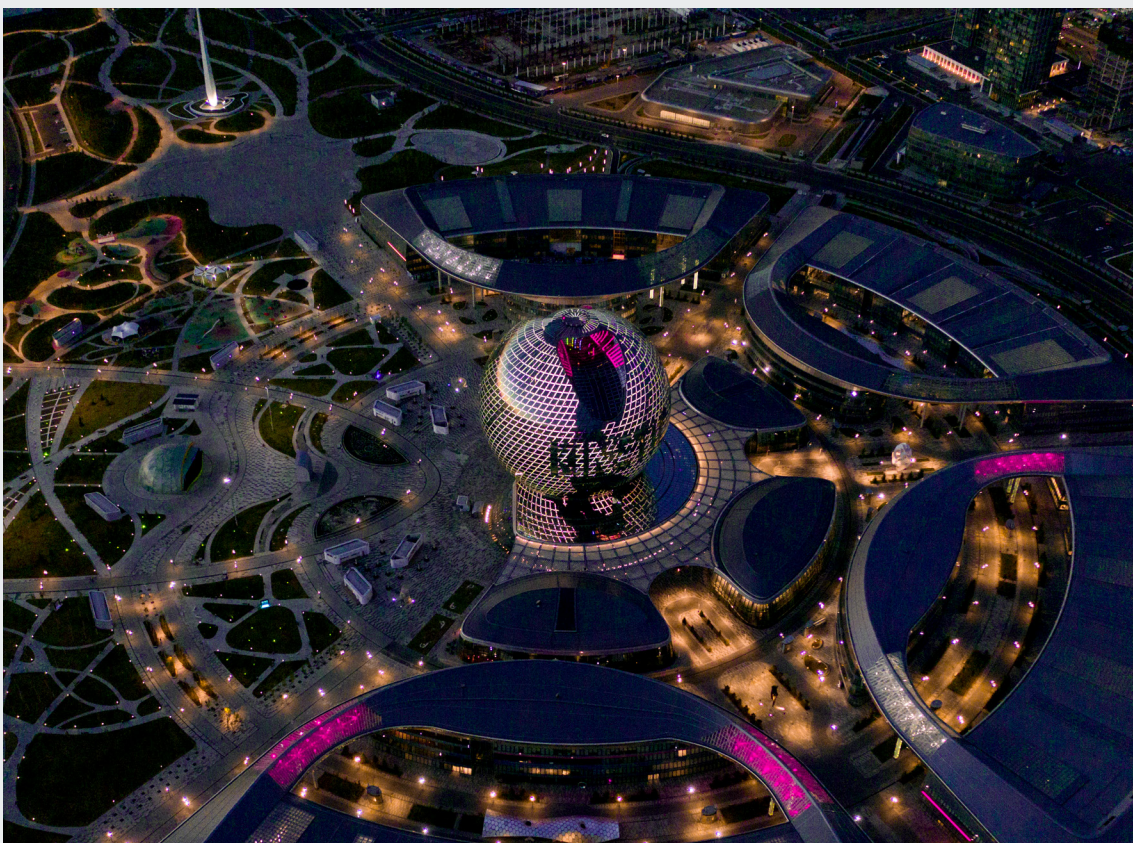
As it identifies new markets, the AIFC will embark on a two-stage expansion, initially focusing on its neighbourhood then moving on to East Asia and Western Europe.

AIFC's focus on further development of its special legal regime, LegalTech and legal services regulation will continue, while the AIFC Court and the International Arbitration Centre (IAC) expand their services to include pro-bono representation, IAC adjudication, and third-party litigation financing. A stronger focus on reinsurance and captive insurance markets is also likely.

Additionally, AIFC will prioritise the localisation of leading companies in order to increase the efficiency and transparency of sovereign asset management and help develop the domestic asset-servicing industry.

AIFC's favourable regulatory and tax framework also provides benefits that encourage domestic and international investors to take advantage of various collective investment schemes. This array of instruments can be used for efficient cross-border asset management by allowing both domestic and foreign fund managers to establish and manage investment schemes in line with international best practices and to efficiently structure the ownership and management of investment assets.

The AIFC is also focused on enhancing business ecosystems by creating a favourable environment for further development of fund administration services in the Centre. For the first time in Central Asia, AIFC has introduced an English law-based trusts framework, enabling efficient structuring of private wealth, inheritance and financial management.



THE ASTANA INTERNATIONAL FINANCIAL CENTRE

Vision, Mission and Objectives

The AIFC's vision is to become the leading international financial centre in Central Asia, the Caucasus, the Eurasian Economic Union, Western China, Mongolia, and Eastern Europe (hereafter, 'the region').

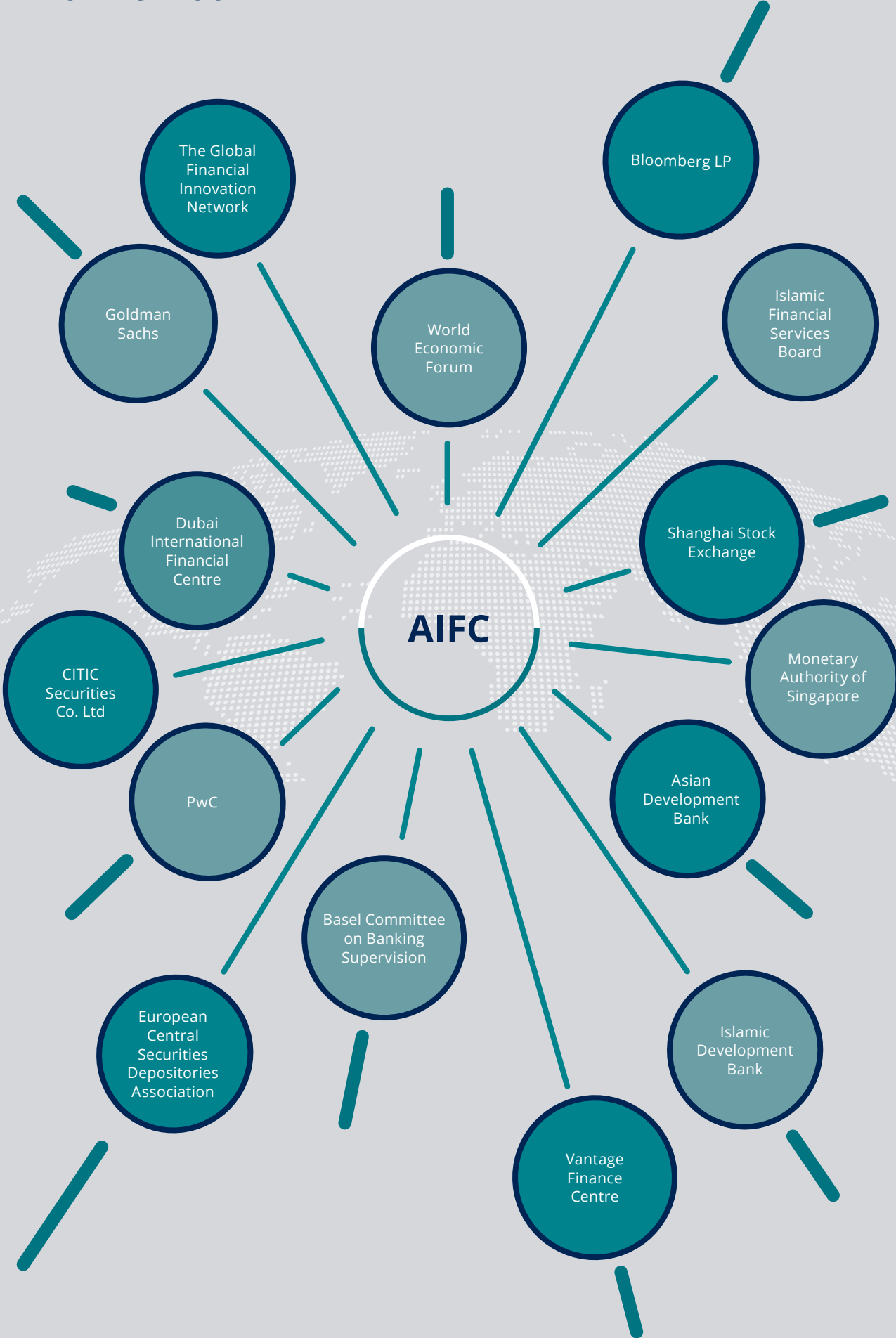
The AIFC's mission is to contribute to the sustainable economic development of the region by fostering innovative financial products and services. AIFC strategic directions for sustainable development include advancing the circular economy, attracting investing in both physical and digital enabling infrastructure, and leveraging the 4IR to enable digital trade.

AIFC will contribute to economic development by:

- Creating an attractive environment for investment in the financial services sphere;
- Developing a securities market and integrating it with international capital markets;
- Developing insurance markets, banking services, Islamic finance, financial; technologies, electronic commerce and innovative projects;
- Developing financial and professional services based on international best practice;
- Achieving international recognition as a financial centre.



PUTTING AIFC ON THE MAP



THE CURRENT STATE OF PLAY

In only its 3rd year of operations, the AIFC continues to attract some of the largest international banks and investment companies, and its offerings are comparable to the Dubai International Financial Centre and Monetary Authority of Singapore, entities which have been in operation for considerably longer. The AIFC has also received recognition from the International Organization of Securities Commissions, the Islamic Financial Services Board, the Accounting and Auditing Organization for Islamic Financial Institutions, and the Basel Committee on Bank Supervision, among others.

What makes the AIFC unique is that it operates under a legal regime based on the principles, legislation and precedents of the law of England and Wales, and the standards of leading global financial centres, has an independent court system, an independent financial services regulator, its own arbitration centre, and uses English as the official language. The AIFC also has a Legal Advisory Council (LAC), formed to help the centre adopt global best practices in its legal and regulatory framework. The LAC includes representatives from leading law firms and barristers' chambers such as Baker McKenzie, White & Case, Herbert Smith Freehills, Hogan Lovells, Norton Rose Fulbright, Michelmores, and 3 Verulam Buildings (3VB). The AIFC Advisory Panel on Legal Regulatory Matters is further comprised of leading international experts and brings best practices in the development of legal services market operation.

With a range of mechanisms to ensure lucrative projects in the region attract investment in a transparent and efficient manner,

the AIFC has rapidly grown over the last three years, and now houses over 470 companies from over 40 countries, including Ernst & Young, China Development Bank and the Kazakhstan Energy Reinsurance Company. The Centre also has forged partnerships with key global financial institutions, including NASDAQ, Goldman Sachs, Silk Road Fund and the Shanghai Stock Exchange, and has helped incubate more than 100 startups across a wide range of sectors.

Part of AIFC's strategy to attract global investments is through a focus on high-growth sectors such as AI and biotech. In addition, it also offers tax incentives that are largely sector-agnostic. Participants that provide services prescribed by AIFC's Constitutional Statute are exempt from property tax and land tax for facilities located in the AIFC. Additionally, foreign nationals employed by an AIFC participant are exempt from personal income tax on income received under their employment contracts with AIFC participants. AIFC also offers corporate and personal tax exemptions to AIFC participants on income derived from financial services, Islamic banking services, and reinsurance and insurance brokerage services, among others.¹

"We believe our success will help attract more international players to Kazakhstan. In addition to the incredible support we have received, we have also found that the well-renowned Kazakh hospitality still thrives today, in the country's strong culture of supporting foreign investors."

VALERY VAVILOV
Founder and CEO
Bitfury

¹ For more detail, see Constitutional Statute Of The Republic Of Kazakhstan On The Astana International Financial Centre, Constitutional Statute No. No 438-V ZRK, 7 December 2015 (with amendments as of 30 December 2019, which commenced on 11 January 2020).



Improving Corporate Governance Principles

Recognising that good corporate governance practices are critical to its long-term success, the AIFC has taken a range of measures to improve corporate governance principles. The AIFC has developed the Ethics Code in consultation with the London-based Institute for Business Ethics, and principles for corporate governance for AIFC bodies, in consultation with international corporate governance experts, and TheCityUK, the industry-led body representing UK-based financial and related professional services — include:

- Ensuring companies are led by a board that promotes the long-term success of the company, generating value for its shareholders, acting responsibly towards key stakeholders, and, in the case of companies operating in Kazakhstan, contributing to sustainable economic development.
- Ensuring companies have an effective board which is collectively accountable for ensuring that the company is managed prudently and effectively.
- Ensuring remuneration policies and practices are aligned with the long-term interests of the company.²

Beyond these key standards, it is worth noting that Kazakhstan takes a principles-based approach to corporate governance, where boards are expected to adhere to the spirit of agreed corporate governance principles rather than the letter of the rules. This helps engender an open spirit of effective communication between the shareholders and the company, reduces the cost of conducting business, and is more likely to stimulate innovation.

The AIFC is also set to implement an investment tax residency programme in 2021, which will allow investors and their families to receive long-term visas under simplified conditions and exempt potential investors from income tax outside Kazakhstan.

The AIFC continues to grow, expanding its focus to EdTech, and to better leveraging the circular economy to make growth more sustainable. Key new developments include a World Economic Forum Centre for the Fourth Industrial Revolution housed within AIFC, slated to open this year, and 72,000sqm of world-class office space, which will house some of the world's largest financial institutions. The Astana hub and the International Centre for Green Technologies already operate out of this space.

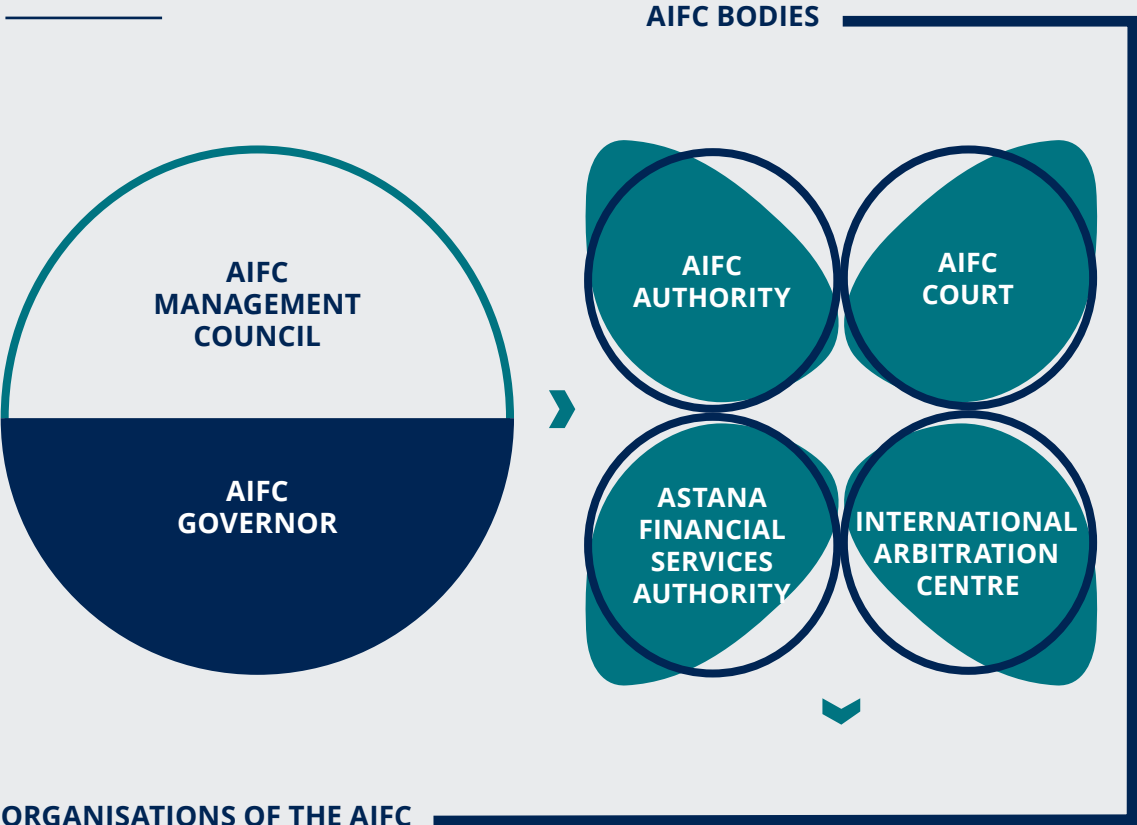
“Being the first company to redomicile to the AIFC, we are not only enjoying the first mover advantage but [are] also leveraging our in-depth knowledge and experience in the insurance market to broaden our coverage to provide reinsurance services to entities owned by our parent holding company. We believe that the insurance market in Kazakhstan and this region is going to rapidly grow in the next few years and that our transfer to this untapped market has been timely. We commend the work of the AIFC in assisting us with the completion of licencing formalities so efficiently, which meant that we were able to complete the redomicile process in record time and yet achieve a smooth and seamless transition.”

TALGAT TURSUMBEKOV

Senior Executive Officer
Kazakhstan Energy Reinsurance Company

² Full list of measures available at UK-Kazakhstan Corporate Governance Working Group Report, TheCityUK and The Astana International Financial Centre, April 2020.

AIFC Organisation Structure



ORGANISATIONS OF THE AIFC



AIFC FAMILY

AIFC Management Council

The AIFC Management Council is a permanent collegial body chaired by the President of the Republic of Kazakhstan and is the supreme governing body of the AIFC. The Council determines strategic directions for the development of the AIFC and fosters the development of favourable conditions for establishing the AIFC as a leading international financial centre.

Authority

The AIFC Authority is responsible for formulating the centre's development strategy, drafting acts on matters not related to the regulation of financial services. To spur AIFC's integration into the global financial architecture, the AIFC Authority also establishes links with international financial centres and investment companies.

Court

The AIFC Court is the court for civil and commercial dispute resolution within the AIFC. With 10 highly experienced judges from the common law world, the court has exclusive jurisdiction for civil and commercial disputes but not criminal or administrative disputes.

AFSA

Astana Financial Services Authority is the integrated regulator of all market activities, ancillary service providers, and companies within the AIFC. AFSA's mission is to ensure the fair and transparent operations of financial and capital-market systems within the AIFC.

IAC

The International Arbitration Centre provides an independent alternative to court litigation, operating at the highest international standards to resolve civil and commercial disputes in the AIFC. The IAC has its own panel of 37 highly regarded international arbitrators and mediators.

Academy of Law

The AIFC Academy of Law aims to familiarise the legal community with the AIFC's legal system. It organises educational and informational events, and publishes material to raise awareness of the AIFC and its jurisdiction.



Astana International Exchange was established to develop a deep and liquid capital market in Kazakhstan and in the Central Asian region by providing clear and favourable conditions for attracting local and foreign investors as well as creating a platform to finance the growth of private businesses and the economy as a whole.



The AIFC Bureau for Continuing Professional Development is a centre for professional development within the AIFC. The Bureau seeks to develop a highly qualified workforce in the region by offering opportunities for continuing professional development in accounting, finance, risk management, human resources, ICT, and corporate governance, among others.



AIFC Business Connect aims to spur direct investment into the region, complementing the work of Kazakh Invest. Business Connect will address the needs of and meet the expectations of the international business community.



The AIFC FinTech Hub aims to utilise the latest financial technologies to future-proof AIFC's key business pillars and to develop a vibrant multi-stakeholder fintech ecosystem, bringing together financial institutions, technology partners, fintech companies, and investors to help Kazakhstan emerge as a global FinTech hub and a leader of fintech innovation in the region.



The Green Finance Centre promotes the AIFC as a hub for green financing in the region, offering strategic solutions to governments, financial institutions, and enterprises, and facilitating the issuance of green bonds.



The AIFC Expat Centre acts as a 'one stop shop' for over 500 government services. The centre provides expats and their families assistance with visa-related services, tax payments, police registration, consultations on healthcare, children's education, transport, and accommodation, among others.

LEADING FIGURES - AIFC MANAGEMENT COUNCIL

NURSULTAN NAZARBAYEV
THE FIRST PRESIDENT OF THE
REPUBLIC OF KAZAKHSTAN - ELBASY
HONORARY CHAIRMAN,
AIFC MANAGEMENT COUNCIL

KASSYM-JOMART TOKAYEV
PRESIDENT OF THE REPUBLIC
OF KAZAKHSTAN
CHAIRMAN,
AIFC MANAGEMENT COUNCIL

ASKAR MAMIN
PRIME MINISTER OF THE
REPUBLIC OF KAZAKHSTAN
DEPUTY CHAIRMAN,
AIFC MANAGEMENT COUNCIL

YERULAN ZHAMAU BAYEV
MINISTER OF FINANCE OF THE
REPUBLIC OF KAZAKHSTAN

RUSLAN DALENOV
MINISTER OF NATIONAL
ECONOMY OF THE REPUBLIC
OF KAZAKHSTAN

ERBOLAT DOSSAEV
GOVERNOR OF THE NATIONAL
BANK OF KAZAKHSTAN

KAIRAT KELIMBETOV
GOVERNOR
AIFC

DR JACOB FRENKEL
CHAIRMAN, BOARD OF TRUSTEES
GROUP OF THIRTY (G30), AND
FORMER CHAIRMAN, J.P. MORGAN
CHASE INTERNATIONAL

DR BANDAR HAJJAR
PRESIDENT
ISLAMIC DEVELOPMENT
BANK GROUP

SIR SUMA CHAKRABARTI
PRESIDENT
EUROPEAN BANK FOR
RECONSTRUCTION AND
DEVELOPMENT

HERMAN GREF
CEO & CHAIRMAN
EXECUTIVE BOARD OF
SBERBANK OF RUSSIA

ARKADY VOLOZH
CO-FOUNDER & CEO
YANDEX CO.

JULIE MONACO
MANAGING DIRECTOR
GLOBAL HEAD, PUBLIC SECTOR
BANKING, CAPITAL MARKETS
AND ADVISORY DIVISION, CITI

LEADING FIGURES -AIFC BODIES

KAIRAT KELIMBETOV
GOVERNOR
AIFC

NURLAN KUSSAINOV
CEO
AIFC Authority

THE RT. HON. THE LORD MANCE
CHIEF JUSTICE
AIFC Court

BARBARA DOHMANN, QC
CHAIRMAN
International Arbitration Centre (IAC)

LADY BARBARA JUDGE, CBE
CHAIRMAN
Board of Directors of the AFSA

MUKHTAR BUBEYEV
ACTING CEO
AFSA

CHRISTOPHER CAMPBELL-HOLT
REGISTRAR AND CHIEF EXECUTIVE
AIFC Court and IAC

PROF. ALEXANDER VAN DE PUTTE
CHAIRMAN
Corporate Governance and Stewardship

TIMOTHY BENNETT
CEO
Astana International Exchange

JAMES MARTIN
CEO
AIFC Business Connect

ASSIYA KARIBAY
CEO
AIFC Bureau for Continuing
Professional Development

ASSEL NURAKHMETOVA
CEO
AIFC Green Finance Centre

NURLAN TOIMBEK
HEAD
AIFC Expat Centre

FARKHAD NURKAMALOV
CEO
FinTech Hub

MICHAEL BLAIR, QC
CHAIR
AIFC Legal Advisory Council

CHRIS KENNY
CHAIR
AIFC Advisory Panel on Legal
Regulatory Matters

MARK BEER, OBE
CHAIR
AIFC Advisory Council on the
Development of LegalTech

DAVID GALLO
HEAD
AIFC Academy of Law

AIFC IN NUMBERS (AS OF MAY 2020)



Companies from 40 countries are based at the AIFC



Market capitalisation of the Astana International Exchange (AIX)



Investments committed by AIFC participants



Number of startups incubated through the AIFC



Firms accepted to the AFSA FinTech Lab (AIFC's regulatory sandbox)



Experts and advisors from 35 countries are currently part of the AIFC



Number of people served by the AIFC's Expat Centre



Court, arbitration, and mediation cases resolved across the AIFC Court and the IAC since launch



Lawyers registered at the AIFC Court for rights of audience from 20 jurisdictions around the world



AIFC General Legal Framework, and AIFC Financial Services Framework Acts adopted

SECTION 3

Leading Opportunities

As a key economic partner to a growing number of countries across Eurasia, Kazakhstan continues to cement its position as a regional hub. Since 2014, the country has invested several billion dollars in building dry ports, new airports, and upgrading nearly 20,000km of roads to improve connectivity with China, Russia, Kyrgyzstan, Turkmenistan, and Uzbekistan. Kazakhstan is also broadening economic links with countries farther away, like South Korea and the UK. As these ties grow, air and rail freight transiting the country has also grown, both in terms of volume, as well as the diversity of origins and destinations of cargo.

One consequence of Kazakhstan's broadening economic partnerships has been the multilateralisation of FDI inflows. In 2015-2019, the share of Chinese FDI in Kazakhstan stayed constant at ~6% of the total, while the contribution of the Netherlands increased from 28.1% to 32%, the US from 10% to ~19%, and Switzerland from 6.3% to 11.7%. Stronger FDI inflows from countries with a wide-range of investment priorities will help Kazakhstan as it diversifies its economy. Key sectors to watch include:



1 FINANCIAL SERVICES

AIFC FINANCING LANDSCAPE

AIFC has established a full-fledged financial services regulatory framework

	Traditional / Conventional	Islamic Finance	Green / Sustainable	Tech / Digital
Securities and Capital Market	<ul style="list-style-type: none"> Equities (local shares and GDRs) Traditional bonds ETFs/ETNs 	<ul style="list-style-type: none"> Sukuk (corporate, sovereign) 	<ul style="list-style-type: none"> Green bonds (★) Social bonds (🌐) Green funds 	<ul style="list-style-type: none"> Trading platform Multi-currency trading (★) Book-building platform Repo (🌐) Securities lending service Conversion: GDRs <-> local (🌐)
	<ul style="list-style-type: none"> IPO/SPO, Pre-IPO, Cross listing, Bonds (public and private placement) Regional Equity Market Segment (REMS) (🌐) Mining segment (★) Membership (Trading, Custody) 			
Insurance	<ul style="list-style-type: none"> Insurance / Reinsurance Captive Insurance Insurance intermediaries 	<ul style="list-style-type: none"> Takaful / Retakaful Takaful operator Intermediaries 		
	Underwriting / guarantees / warranties / actuarial services			
Corporate Banking / Private Banking / Wealth Management	<ul style="list-style-type: none"> Corporate banking – Conventional/Islamic (incl. Shari’ah-compliant financing) Private banking (incl. family offices) Deposits, Credit facilities, Commercial/ Syndicated loans, ECA backed loans Corporate finance, Discretionary/Advisory Mandates, Advisory (★), arranging deals and custody, M&A Trade finance (incl. line of credit, guarantees, working capital, supply chain finance solutions) FICC – Fixed Income, currencies and commodities 			<ul style="list-style-type: none"> Remittances / money exchange Robo-advisory Digital (mobile) banking (🌐) Payments and e-Money (🌐)
Asset Management	<ul style="list-style-type: none"> Funds (incl. REITs, hedge funds), Private equity Collective investment scheme (fund administration, dealing as an agent/Principal) Foundation, Trust, Asset Management Company (AMC) Managing investments (Restricted PSiAs, real estate) 		<ul style="list-style-type: none"> Green investment scheme (fund administration, dealing as an agent/Principal) 	
Alternative Financing / Innovation	<ul style="list-style-type: none"> Infrastructure financing through SPCs Structured products, Securitisation Asset-based financing (inventory finance, leasing/renting, real estate, aircraft, leasing) 		<ul style="list-style-type: none"> GreenTech / CleanTech 	<ul style="list-style-type: none"> RegTech LegalTech Crowdfunding (★)

🌐 Launching soon
 ★ External verification required for green finance and Islamic finance
 ★ Available only in the AIFC within the territory of Kazakhstan
● Ancillary services (legal, accounting, auditing, credit rating agencies(★), consulting/advisory(★), Corporate Service Providers, e-Commerce)

Among AIFC's main objectives is to help Kazakhstan emerge as a world-class financial hub that complies with international standards. AFSA has tailored the regulatory regime to ensure synergy with domestic and regional regimes, introducing new legal vehicles and enhancing existing legislation to support the establishment of new business within the AIFC. With the inauguration of the AIX, the Green Finance Centre, the Fintech Regulatory Sandbox that helps innovators test financial technologies before scaling them up, and the introduction of Islamic finance legislation, there is growing optimism regarding the role the AIFC will play in the global financial services ecosystem.

By the end of 2019 AIFC established a full-fledged financial services regulatory framework enabling full spectrum of conventional financial services, such as banking, insurance, capital markets, private banking, asset management, Islamic Finance, as well as new financial services, including crowdfunding, private e-currency, and trust services.

Additionally, as wealth management increasingly moves onshore, providing global investors the advantage of hyper-local expertise, a range of financial asset classes in Kazakhstan are set to perform well. These include:

- **Bonds** - Kazakhstan's bond market has grown steadily since it began new bond issuance on AIX. The range of products offered has widened as well. The debut Euro-denominated bond issue of €1.05b on the AIX in November 2018 saw strong demand from investors. More recently, in March 2020, the AIX listed the first RMB-denominated bonds and the first Islamic bonds.

Plans are afoot to offer more Tenge-denominated bonds,

which are BBB-rated and governed by English law, allowing global investors to more easily take a position on the currency with less risk than buying locally issued paper.

Looking forward, with interest rates in Europe and North America set to stay low, Kazakh debt, which is widely BBB-rated and offers positive returns, will likely become of greater interest to investors looking to branch holdings away from the zero or negative interest so many AAA rated bonds pay.

- **Stocks** - The AIFC launched trading at Kazakhstan's newest stock exchange, the Astana International Exchange (AIX), in November 2018. As of May 2020, the AIX has issued 53 securities from 36 issuers, including 2 exchange traded funds. Since its launch, the AIX has listed \$2.8b in public debt, \$2.2b in private debt and has raised \$217m in equity. As of May 2020, the exchange has a total market capitalisation of \$15.4b.

Among recent IPOs on the AIX, that of Kazatomprom, the world's largest producer of uranium, in November 2018 is particularly noteworthy. Jointly listed on the AIX and the London Stock Exchange, the IPO raised over \$450m, with the demand for shares exceeding supply by 1.7x. A second public offering in 2019 raised over \$120m. Shares of Halyk Bank, Polymetal, Ferro Alloy, and Kcell have also been successfully listed on AIX, and more IPOs are likely over the medium-term.

Looking forward, as Kazakhstan offers more shares in some of its most attractive state-owned enterprises, the country will be able to generate more capital to invest in innovation across a range of sectors. Though COVID-19 has altered timelines for privatisation, the underlying

factors driving privatisation remain unchanged. Consequently, over the medium term Kazakh equity will likely continue to be of interest to investors.

“Within the framework of the comprehensive privatisation plan, six companies of Samruk-Kazyna Fund will go to IPO/SPO. This is a new stage in the development of national companies of Kazakhstan. In accordance with the Fund’s development strategy for 2018-2028, our goal is to increase the efficiency of our companies and to improve management of our assets. Privatisation is one of the tools for achieving this goal.”

AKHMETZHAN YESSIMOV
CEO
Samruk-Kazyna JSC

- **Islamic finance** - Kazakhstan can serve as an attractive gateway for Islamic financial services in the region. The AIFC has worked closely with the Islamic Development Bank and the Asian Development Bank to create a favourable legal and regulatory environment and has developed a range of products to attract Islamic-banking service providers, non-banking financial services, and capital from Central Asia, the Middle East and Southeast Asia. As part of its efforts to spur the development of Islamic finance, the AIFC has developed a master plan that will strengthen focus on the development of an integrated Islamic finance infrastructure and ecosystem. The AIFC has also launched an Advisory Council on Islamic Finance and a Central Shariah Advisory Board, and recorded the first cross listing of a Sukuk issued by the Qatar International Islamic Bank on the AIX in March 2020. The Sukuk was primarily listed on the LSE.

Al Rayan Investment has chosen Kazakhstan, and particularly the AIFC, as the first market for international expansion. Kazakhstan represents a new hub for Islamic finance in Central Asia, which offers considerable potential, while the AIFC represents the optimal platform for us as it is established on the same international best practices [and] regulatory principles as our home domicile, the Qatar Financial Centre. This should expedite our ability to offer our world-class products and services to such a promising market.

ADEL MUSTAFAWI

Group CEO
Masraf Al Rayan

We thank the AIX team who made great efforts to help QIIB successfully list our Sukuk which is very important to our international presence strategy. It is also our honour to be in a strategic partnership with the AIFC to promote the Islamic financial business in the Republic of Kazakhstan.”

DR ABDULBASIT AL-SHAIBEI

CEO
Qatar International Islamic Bank

- **Private equity** - Kazakhstan's PE market remains relatively underdeveloped, with the country recording only 61 PE exit transactions between 2008 and 2018. However, despite the slow pace of PE investments, KPMG highlights that over the next few years the country is well positioned to provide stable returns on private equity³. Much of the initial growth in PE, however, will be due to the 'base effect,' given the presently undersaturated market. To sustain PE investments over a longer term will require structural reforms. Recognising this, the AIFC has organised conferences and workshops on PE opportunities in the region. Additionally, Kazakhstan launched the KIDF and its management company.

- **Asset and Wealth Management** - The AIFC is building a supportive regulatory framework as well as providing a fully functional marketplace platform for asset and wealth management services providers to better serve the needs of foreign and local investors. The recent enhancement of the AIFC's investment funds framework led to the introduction of new types of funds, such as REITs, private equity and venture capital funds. Changes to the existing framework have also facilitated the fund structuring process for foreign fund managers, and allowed for the establishment of cost-effective self-managed funds without the need to appoint external fund managers.

The extensive range of products and services (investment & portfolio advisory, tax & wealth planning, asset allocation) are offered to local and international players in line with global best modern wealth management practices. Foundations, often used in European legal systems as an alternative to trusts, are also recognised in the AIFC. This dichotomy provides investors

from both common and civil law worlds with an opportunity to structure their wealth in a way that is familiar to them and their advisers. In turn, single-family offices can benefit from the distinguished services provided by Restricted Scope Companies, the key feature of which is the limited disclosure of company information in public registries.

Fintech - Recognising the positive role of innovation in increasing efficiency, broadening access and enhancing variety in financial products and services, AIFC is developing a business and regulatory environment conducive to disruptive and consumer-centric innovations⁴. AIFC is the first jurisdiction in the Eurasian region to support regulatory regimes for new forms of investments, including crowdfunding, Initial Coin Offerings, trading with digital assets, testing and developing FinTech services under the regulatory sandbox regime called FinTech Lab, and cross-border testings of FinTech activities in several jurisdictions under the Global Financial Innovation Network (a network of financial regulators).

Furthermore, in the years ahead, more opportunities are being considered such as the deployment of a National Sandbox for cross-sectoral piloting of non-financial services, recognition of AIFC FinTech licences in the Eurasian and Southeast Asian countries (passporting), and regulatory support for the Open Banking regime and innovative financial services such as digital (mobile) banking, payments and e-money services.

Green Finance - As Kazakhstan transitions towards a green economy, the near-term focus will be on rationalising the use of natural resources and

³ KPMG, Private Equity in Kazakhstan, May 2019.

⁴ For details see AIFC (2019) Financial Sector Overview. Russia, CIS and the Caucasus.

implementing renewable energy and energy-saving technologies on a large scale. Recognising the need to incentivise market financing of green projects, the AIFC launched the Green Finance Centre (GFC) in June 2018 and developed a comprehensive strategy on green finance and green bond issuance. The GFC provides initial assistance to potential green bond issuers and investors, as well as subsidies for green projects. The centre also covers expenses incurred by issuers in providing the mandatory external review of green bonds.

As Kazakhstan focuses on developing the circular economy in the coming years, the GFC will help green industries raise funds through the debt market and assist companies in reformulating internal policies to improve environmental, social, and corporate governance practices.

2 EDUCATION

As Kazakhstan emerges as a regional hub with a growing population of expatriate workers, the demand for quality elementary and higher education has increased. In recent years, the AIFC has strengthened global partnerships with industry leaders, including Singapore's Kinderworld, which will invest \$200m through 2024, and the U.S.-based Sabis, which will invest over \$25m through 2023 to build world-class educational facilities in the country. With the policy environment remaining friendly and demand robust, more such partnerships are likely.

However, as COVID-19 rapidly changes education models, a greater emphasis on EdTech will be critical to ensuring wider access to learning. Through its Digital

Academy, the Centre has conducted both online and offline events to expand Kazakhstan's EdTech ecosystem, and attract more investment in the sector. The brand new online school for IT specialists called "QWANT" was established and offers a 6-month intensive software engineering programmes. Its word-class curriculum was developed by Silicon Valley experts and covers over 800 exercises and projects. The programme provides its own integrated development environment, where students can attain elite coding skills on various frameworks and languages. To date, 2500 applications from across Kazakhstan have been received and processed.

In addition to digitisation, the AIFC is strengthening its focus on continuing education. Through the Bureau for Continuing Professional Development (BCPD), the AIFC offers international certifications in accounting, finance, risk management, human resources, ICT, and corporate governance. BCPD also supports local professional communities and partners with local universities to design academic programmes approved by international professional institutions such as the CFA Institute. Additionally, the AIFC Academy of Law was established in September 2019 as a platform to provide legal education programmes on the AIFC Law and international commercial practice. More than 1500 guests have visited AIFC Academy of Law events and attained legal education through its programmes.



Image: The Sphere, Astana Expo

3 AGRICULTURE

With Kazakhstan adopting digital technologies more widely, the agricultural sector could see a significant increase in productivity and exports, especially of processed food. Given the potential for export growth, Kazakhstan's food sector has attracted numerous international investors including Tyson, the U.S.'s largest meat processor, and Poland-based Polcotton. Tyson plans to invest up to \$200m to scale up beef production in Kazakhstan to 5 million tons a year. Agricultural equipment manufacturing also looks set to grow, with Kazakhstan doubling the local production of agricultural machinery in 2019. The AIFC remains a key conduit for investment and expertise in this sector.

4 TECHNOLOGY/4IR

Given the critical role the 4th Industrial Revolution is set to play in emerging markets, the AIFC has made digitising Kazakhstan's economy a key pillar. Given that Kazakhstan has an internet penetration rate of nearly 80% as of 2019, the AIFC recognises that realising the benefits from 4IR technologies might only require efforts to promote digital literacy and greater trust in the digital economy. By advocating for new STEM courses and promoting a culture of tech entrepreneurship, the AIFC aims to leverage Kazakhstan's high level of human capital to spur the uptake of next-generation technologies.

Complementing these efforts is the World Economic Forum Centre, set to launch later this year. The WEF Centre will allow Kazakhstan access to a wider knowledge pool and will help the AIFC incorporate international best practices in managing and using new technologies across sectors.

A sector with notable growth prospects in Kazakhstan's tech space is e-commerce. Between 2017 and 2019, revenue from online sales increased nearly 2.5X to over \$1.1b, while the number of active buyers increased nearly threefold to over 3 million. Kazakhstan expects online sales revenue to further increase to \$5.25b by 2025.

With the country proactively expanding internet access, aiming to connect all villages with either 3G/4G services or satellite internet by 2022, and passing a law to give the same consumer protections for online purchases as to over-the-counter purchases, there will be greater opportunity for Kazakhs to shop online. Through partnerships with companies like Wildberries, Russia's largest online retailer, the AIFC continues to improve product choice and efficiency in Kazakhstan's e-commerce sector, making it far more likely that people use the broadening e-infrastructure to shop online more frequently.

Private Sector Developments in E-commerce and FinTech

ChocoFamily: With over 700,000 active users and an estimated revenue of \$220m in 2019, ChocoFamily is among Kazakhstan's leading e-commerce companies. Valued at ~\$50m in 2019, the company is branching into food delivery, e-payment, and travel services.

Kaspi.kz: Among the largest of Kazakhstan's retail banks, Kaspi began offering tech-driven banking services as early as 2012, launching an e-wallet and an online bill payment system. As of 2019, Kaspi's mobile app, which offers peer-to-peer payments and integrated online shopping — as well as more traditional banking services — has 4.5 million active monthly users, who make ~60 million transactions on the platform each month. Goldman Sachs has a ~4% stake in the bank.

5 MINING

Recognising the potential for an increase in long-term investments in mining, Kazakhstan introduced a new mining code in 2018, simplifying administrative procedures, expanding access to independent geological data, and allowing interested parties to bid for mining rights in open auctions. These measures will bring greater certainty and transparency, making the mining sector, which received \$13.6b in investment in 2019, more attractive to investors. Of particular interest is Kazatomprom, the supplier of nearly 40% of the world's uranium. As it looks to privatise further, the prospects for investment in uranium mining in Kazakhstan will remain attractive.

In addition to significant reserves of uranium, Kazakhstan possesses 45% of the world's estimated chromium reserves, as well as 30% of global asbestos reserves and 10% of global titanium reserves. Junior mining prospects for these commodities remain lucrative. The AIFC continues to be involved in facilitating investments in this sector.

Kazakhstan's Share of Global Reserves for Selected Metals (2020)

Metals	Estimated share of global Reserves	Annual production (tonnes)	Global production rank
Uranium	20%	24,000	1st
Chromite (Chromium)	45%	3,744,000	2nd
Asbestos	30%	195,000	3rd
Titanium	10%	9,000	4th
Manganese	25%	390,000	9th
Copper	10%	540,000	13th

Source: U.S. Department of the Interior and U.S Geological Survey, 2020.

6 LOGISTICS

With Kazakhstan eager to realise its potential as a logistics hub, connecting markets in Asia and Europe, over the past decade the country has invested ~\$30b in improving transport and logistics infrastructure. The government aims to spend an additional ~\$13b on highways and rail corridors between 2019 and 2025 through the Nurly Zhol programme. Recently completed infrastructure projects include the Port of Aktau on the Caspian Sea, the Khorgos Dry Port, and the Western Europe-Western China International Transit Corridor. These are encouraging developments, likely to increase the share of Asia-EU trade transiting the country and to help Kazakhstan emerge as a major transportation hub along the new Silk Road. 4IR technologies, such as blockchain, will further the efficiency of logistics flows along the entire value chain.

Air traffic to Kazakhstan has also increased, with the airline sector growing nearly 45-fold between 2012-2019. The country's airports served over 17 million passengers in 2019, and as of February 2020, 26 foreign airlines and 3 Kazakh airlines operate 430 weekly flights on 99 international routes. With Kazakhstan adopting the 5th Freedom of Air policy, there will be more interest in Kazakhstan's airline sector once the industry recovers. The AIFC will continue to provide expert advice and guidance on navigating opportunities in aviation in the region.

7 ENERGY

Coal, oil, and natural gas continue to play important roles in Kazakhstan's economy, both for domestic energy production and as exports. With Eni, Total, and Partex announcing plans to further explore oil and gas blocks in Kazakhstan's coastal area of the Caspian Sea, and with the state-owned oil and gas company KazMunayGas planning an IPO, growth prospects for coal, oil, and gas remain robust.

Considering the scale and complexity of most oil and gas projects, the role of contracts between counterparties becomes critical. Looking forward, AIFC's particular strengths in arbitration and dispute resolution will help in enforcing contracts in a transparent and impartial manner while establishing efficient and reliable systems to enable stakeholders to manage the flow of money, equipment, and personnel required to run oil and gas operations in the country.

However, Kazakhstan also recognises that oil and gas are finite, environmentally harmful resources. The country aims to increase the share of renewables in its energy mix from 3% in 2020 to 10% by 2030 and 50% by 2050. As the demand for renewable energy grows, the AIFC, through its Green Finance Centre, will continue to facilitate investments in the sector.

SECTION 4

Planning Investments in Kazakhstan Post-COVID-19

As global commerce enters a period of nearly unprecedented disruption, Kazakhstan's economy could slow significantly over the short term. But as the IMF highlights, while a COVID-19 driven recession in Kazakhstan might be deep, the recovery will likely be sharp. As demand picks up, tech, agriculture, infrastructure, mining, energy, and finance will re-emerge as lucrative sectors.

For investors, even in more normal times, embarking on new investments in emerging markets poses unique challenges. As the World Bank highlights, boosting investor confidence requires building a diversified, competitive private sector, ensuring an environment free of major macro-fiscal and financial-sector distortions, and building a level playing field to ensure contestable markets. As highlighted in the preceding sections, the bulk of AIFC's efforts over the past five years have focused on strengthening these traits in Kazakhstan's economy. But in a time of added uncertainty, retaining investor confidence will also require more effective communication and transparency, signalling more strongly that Kazakhstan remains open for business.

In addition to participating in the Coordination Council on Investment Attraction, including Kazakh Invest, and a renewed focus on medium and small businesses through the World Alliance of International Financial Centers, the AIFC has taken a range of measures to instill investor confidence in the current environment.

These include:

Investor concern	Mechanism to alleviate risk
<p>Transparency and flexibility of the legal and regulatory regime in the post-pandemic era</p>	<p>AIFC will continue using a consultative approach to strengthen its legal and regulatory framework with a view to better align regulation with international best practices as they evolve.</p> <p>AIFC will retain an 'opt-in jurisdiction' for dispute resolution, giving investors the flexibility to choose from AIFC law based on the principles of English common law or civil law, as agreed between parties.</p> <p>The AIFC has instituted a cost-effective and efficient e-filing system that enables parties to file cases online, without the need to be physically present in Kazakhstan.</p> <p>The administrative fee holiday for dispute resolution services at the AIFC Court and the IAC will remain in place at least until 2021.</p>

Investor concern	Mechanism to alleviate risk
<p>Changes in taxation regime and double taxation</p>	<p>Natural entities' remain exempt from personal income tax on income received from sources outside Kazakhstan until 1 January 2066, if the entities are individuals who are AIFC investment residents and are recognised residents of Kazakhstan for the purposes of the Tax Code.</p> <p>Kazakhstan has double taxation avoidance treaties with 54 countries including the UK, the United States, China, South Korea and Singapore. More such treaties are likely over the medium term.</p>
<p>Work permits</p>	<p>Foreign nationals employed by an AIFC participant or an AIFC body are exempt from obtaining work permits in Kazakhstan.</p> <p>Employees of an AIFC body or an AIFC registered company and their dependents will continue to enjoy a special visa regime which can be extended by up to 5 years.</p>
<p>Ownership models</p>	<p>Businesses across the maturity curve will be encouraged to set up operations in the AIFC. Participants remain permitted to operate with 100% foreign ownership.</p>
<p>Special Purpose Company (SPC) regulations</p>	<p>AIFC does not impose any capital requirement on SPCs.</p> <p>AIFC's SPC regime is suitable for isolating assets or non-core business lines through an SPC to create an optimal corporate structure for mergers and acquisitions.</p>

DE-RISKING THROUGH THE AIFC

Investors increasingly seek risk-sharing measures including co-investing through government investment funds or Public Private Partnership (PPP) schemes. AIFC has taken the following measures to help investors alleviate risk:

De-risking measure	Details
<p>PPPs and investment subsidies</p>	<p>Investments made under the jurisdiction of AIFC can still avail themselves of the programmes and subsidies offered in the Kazakh investment ecosystem.</p>
<p>Co-investment</p>	<p>The Kazakhstan Investment Development Fund, a government fund body domiciled within the AIFC, has a wide mandate to co-invest across sectors, helping investors mitigate risk.</p> <p>The AIFC also benefits from the strong support of multilateral development banks that consider the centre as a complementary platform for their programmes. AIFC's Business Connect will leverage both long-standing partnerships with these institutions and a strong understanding of their mandate to coordinate the engagement of international investors with the right stakeholders in Kazakhstan.</p>
<p>Capital flows</p>	<p>Repatriation of profits of AIFC participants will remain permitted, as under current regulation.</p> <p>Transactions between AIFC participants can be denominated and executed in currencies agreed between them.</p> <p>Capital can be raised in multiple currencies, allowing investors to hedge against currency risk.</p>

De-risking measure	Details
<p>Bankable projects</p>	<p>AIFC’s Business Connect maintains a database of projects that are scrutinised by local and international experts, assigned a risk profile, and assessed for potential returns and project viability. Business Connect is then able to match the right investors with the right fundraising or co-investment partner and offer support to further investments.</p>
<p>Independent dispute resolution and enforcement</p>	<p>The AIFC Court has enforcement capabilities of its judgments in other countries including in Central Asia, subject to the Minsk and Kiev Conventions; other countries which have enforcement of Court order agreements with Kazakhstan include Azerbaijan, China, Georgia, India, Kyrgyzstan, Uzbekistan, Lithuania, North Korea, Pakistan, Turkey, Turkmenistan, UAE, and other countries on a court-to-court reciprocity basis subject to membership by the AIFC Court of the Standing International Forum of Commercial Courts (SIFOCC).</p> <p>The success of the enforcement mechanisms has been demonstrated through the AIFC Court’s first case. 100% of the debt in that judgment was paid by the judgment debtor.</p>
<p>Anti-money laundering (AML) and counter-terrorist financing (CTF)</p>	<p>AIFC’s rules on AML, CTF, and sanctioning are aligned with the recommendations of the Financial Action Task Force. AIFC participants are required to conduct ongoing screening of related businesses, products, customers, and transactions and report any suspicious transactions.</p>

CASE STUDY 1: TRANSFER OF INCORPORATION OF A CAPTIVE INSURER

In December 2019, AFSA issued a licence to the Kazakhstan Energy Reinsurance Company Ltd. (KERC), an affiliate of KazMunayGas, through a 'Transfer of Incorporation,' which allows an entity to redomicile without it having to nullify its status in its original jurisdiction. As a result, KERC became the first company to redomicile to the AIFC.

KERC was previously domiciled in Bermuda, where it had been operating since 2004. Redomiciling to the AIFC allowed it to transfer all legal rights and liabilities to the new entity. KERK continues to retain all the property, rights, and privileges, and is subject to all the liabilities, restrictions, and debts as before.

The AIFC continues to receive interest from companies looking to transfer their incorporation status as an alternative to setting up operations in the AIFC.

CASE STUDY 2: CHINA CONSTRUCTION BANK'S IMPETUS AND STRATEGY FOR DOING BUSINESS IN CENTRAL ASIA

Recognising the opportunities close cooperation between China and Kazakhstan has raised, China Construction Bank Corporation (CCB) set up a branch in Nur-Sultan in March 2019, making it the first branch of a foreign commercial bank to be registered at the AIFC.

Apart from the opportunities Kazakhstan provides, in choosing the AIFC as a partner in its expansion to Central Asia CCB emphasised

the preferential conditions offered by the AIFC, particularly in legislation, tax and visa regimes.

As it establishes operations in the region, CCB Astana aims to facilitate a range of Chinese-Kazakh and Central Asian projects and support the development of an offshore RMB market on the AIFC.

CASE STUDY 3: BITFURY GROUP - STRATEGIC PARTNERSHIP TO GROW EMERGING TECHNOLOGIES

Through a strategic partnership with the AIFC, the Bitfury Group, among the world's leading emerging technology companies, designed a unique holding structure for its operations in Kazakhstan, allowing it to maintain a well-optimised presence locally while receiving benefits as a foreign investor. The strategic partnership also allowed Bitfury to strengthen its portfolio and deliver world-leading investment propositions to institutional customers while bringing substantial investments into Kazakhstan through establishing local operations and building data centres.

Bitfury's successful partnership with the AIFC will likely attract more investors in the emerging-technology space to the region.

INVESTOR REVIEWS OF AIFC

“Like investors around the world, CCB is attracted by the preferential conditions provided by the AIFC, particularly in legislation, special tax and simplified visa regimes, which we suppose may serve as strong impetus for development.”

Songhua Wang
CEO and Senior Executive Officer
China Construction Bank, Nur-Sultan

“The conditions and privileges of the AIFC, encapsulated in legislation and regulation, in our view are not limiters or constraints for a business but rather...provide new perspectives and opportunities for you and your business.”

Zhanymkhan Zhanaltay
Senior Partner
Ozara Services



Conclusion

At a time when most countries are still reeling from the shock of the coronavirus pandemic, with uncertain economic prospects and even concerns over political stability, Kazakhstan is building on the road maps that have guided it over the past three decades to ensure continuous progress in modernising the state, diversifying the economy, and educating the population.

The Astana International Financial Centre (AIFC) aims to play an expanded role in Kazakhstan's ambitions for the future. From logistics to life sciences, tax reforms to equity listings, AIFC is a vital partner for both foreign investors and domestic enterprises to deepen Kazakhstan's global connectivity and national productivity.

This report has endeavoured to capture both AIFC's strong track record since its founding and give a comprehensive overview of its future plans. There are many uncertainties that lie ahead in the global economy and geopolitical landscape, but Kazakhstan continues to embody the confidence and vision necessary to expand on its recent legacy and continue its ascent as one of the world's most promising markets in the 21st century.