



All Eyes On Nur-Sultan

May 2021



Financial Centre Futures





We are pleased to present a short update on the progress being made in the Astana International Finance Centre (AIFC). AIFC is a member of **Z/Yen's Vantage Financial Centres** network. The aim of this update is to provide readers with news about the exciting progress being made by the city of **Nur-Sultan** in attracting more financial services activity to the area.

Nur-Sultan, previously named Astana until 2019, is the young and fast-growing capital city of Kazakhstan. The city has cemented its role as a political and cultural centre of Kazakhstan and Central Asia. The launch of Astana International Financial Centre (AIFC) in 2018 has become the catalyst in developing Nur-Sultan as an investment and financial hub and strengthening its role among world financial centres as reflected by the city's progress in the GFCL.

The vision of the AIFC is to become the leading international financial centre in the region (i.e. Central Asia, Caucasus, EAEU, Western China, Mongolia, and Eastern Europe). The AIFC's mission is to contribute to the sustainable economic development of the region by fostering innovative financial products and services.

The Constitutional Statute on the AIFC defines the following objectives:

1. Assisting in investment attraction into the economy of Kazakhstan by creating an attractive environment for investment in the financial services sphere;
2. Developing a securities market and integrating it with international capital markets;
3. Developing insurance markets, banking services, Islamic finance, financial technologies, electronic commerce and innovative projects;
4. Developing financial and professional services based on international best practice;
5. Achieving international recognition as a financial centre.

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Kazakhstan - The Place To Watch

Kazakhstan is a rapidly developing country with huge investment potential and business opportunities

Among the top ten geographically largest countries, Kazakhstan is globally known as a geologically diverse land with immense stocks of natural resources. Long seen as a commodity-rich country, Kazakhstan's offerings today lie far beyond its natural resources.

Priority sectors of the economy with high investment potential



Agriculture and Food



Tourism



Chemistry and Petro-chemistry



Machinery



Energy



Transport and Logistics



Mining and Metallurgy



Kazakhstan is a gateway to the neighbouring markets with over 500 million consumers.

**150
million**

Caspian Sea

**50
million**

Central Asian Markets

**300
million**

Western China

- Member of the WTO
- Member of the Eurasian Economic Union (EAEU) with preferential access to a common market with more than 180 million consumers
- One of the key participants in the Belt and Road Initiative

Robust transport and communication infrastructure

Kazakhstan has the highest internet penetration rate in the region with 77%, and 4G network availability is even higher (85%).

The country has 24 airports (i.e., 72 air corridors). Recently Kazakhstan took a step towards more liberalisation in air transport by adopting the *Fifth Freedom of The Air*. This policy will undoubtedly attract more flights going forward. Before the pandemic, direct regular flights from the capital, Nur-Sultan, were available to 26 countries on 97 routes. Destinations include Frankfurt, London, Moscow, Dubai, Hong Kong, and Seoul. By 2025, regular flights are planned to an additional 20+ destinations – New York, Hong Kong, Singapore, Shanghai, Zurich and others.

Kazakhstan is strategically located in the centre of Eurasia and accounts for 70 per cent of transit railroad traffic between China and Europe, as well as in other directions.

For example, the Western Europe–Western China Transcontinental Auto Expressway allows products to be shipped between China and Europe in just 10 days (i.e. four times faster than sea transit).



Kazakhstan's favourable investment climate

Kazakhstan was ranked 25th in the World Bank's 2020 Ease of Doing Business Index.

#4	#22	#7	#24	#37
for enforcing contracts	for starting a business	for protecting minority investors	for registering a property	for dealing with construction permits

Kazakhstan's highly skilled and cost-effective human capital



31st in the World Bank's Human Capital Development Index (2018)



The highest literacy rate in the region: 100%; UNDP's Human Development Index: very high



Highly-skilled, cost-effective workforce with an average monthly wage of \$505



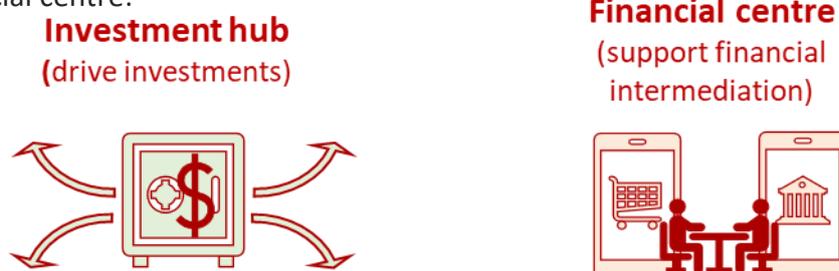
AIFC: Central Asia’s Leading International Financial Centre

The Astana International Financial Centre (AIFC) was officially launched in 2018 in the city of Nur-Sultan, the capital of Kazakhstan, to contribute to the sustainable economic development of the region by fostering innovative financial products and services.

With a range of mechanisms to ensure lucrative projects in the region, **attracting** investment in a transparent and efficient manner, the AIFC has rapidly grown over the last three years.”

AIFC bodies and organizations, with their relentless adherence to international standards, fairness and efficiency, ensured the successful formation of the AIFC as a globally recognized international financial centre. World-renowned financial institutions such as the Shanghai Stock Exchange, Nasdaq, Goldman Sachs and the Silk Road Fund have become shareholders of Astana International Exchange (AIX), one of the core organizations of the AIFC. The AIFC now hosts 750 companies from 51 countries, including the China Development Bank and the China Construction Bank.

In its strategy until 2025, the development of the AIFC is aimed at increasing its operational and financial efficiency in order to consistently achieve financial sustainability. The AIFC has set clear goals for itself to continue to grow as a local investment hub and become a regional financial centre:



The AIFC’s Environment Stimulates Business Growth

Ease of doing Business For AIFC participants ¹	
Common Law jurisdiction	0% corporate income tax
Exemption from work permits for foreign labour	0% income tax for foreign employees
Long-term visas for AIFC employees and their families	30-day visa-free regime for the citizens of OECD countries, Malaysia, Monaco, United Arab Emirates and Singapore

¹ For more detail, see Constitutional Statute of The Republic of Kazakhstan on The Astana International Financial Centre, Constitutional Statute No. № 438-V ZRK of 7 December 2015 (with Amendments as of 30 December 2019, Which Commence on 11 January 2020): <https://aifc.kz/files/legals/7/file/constitutional-statute-with-amendments-as-of-30-december-2019.pdf>

The AIFC In Numbers

750

Companies from 51 countries are based at the AIFC

120+

Number of start-ups incubated through the AIFC

29

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

12,000

AIFC reserve pool of local professionals

247

Lawyers registered at the AIFC Court for rights of audience from 24 jurisdictions globally

56

Licensed and recognized financial institutions in the AIFC

**\$31+
bn**

Total market capitalization of companies listed on the Astana International Exchange

**\$2.6
bn**

Direct investments attracted through the AIFC

International Comparisons

Nur-Sultan In the Global Financial Centres Index

In March 2007, Z/Yen released the first edition of the Global Financial Centres Index (GFCI), which continues to provide evaluations of competitiveness and rankings for the major financial centres around the world. The GFCI is updated every March and September and receives considerable attention from the global financial community.

The index serves as a valuable reference for policy and investment decisions. The 29th edition of the GFCI (GFCI 29) was published in March 2021. The GFCI measures the competitiveness of financial centres across five broad areas—the Business Environment, Human Capital, Infrastructure, Financial Sector Development, and Reputation.

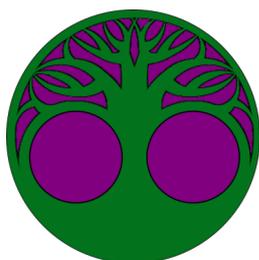


GFCI 29 is compiled using over 130 instrumental factors. These quantitative measures are provided by third parties including the World Bank, The Economist Intelligence Unit and the United Nations. The instrumental factors are combined with over 30,000 financial centre assessments provided by respondents to an online questionnaire.

Nur-Sultan was first listed in the GFCI in 2018, in GFCI 23. It ranked 88th in the world in that edition, with a rating of 548 (on a scale of 1,000). In GFCI 29, Nur-Sultan ranked 78th, with an almost 40 point improvement in its rating to 586. This improving trend demonstrates considerable progress.

The GFCI includes sub-indices showing results taking account of survey responses from a number of finance industry sectors. Nur-Sultan scores higher than its overall ranking in the banking, investment management, professional services, government & regulatory, and trade finance sectors.

Nur-Sultan In the Global Green Finance Index



The Global Green Finance Index was first published in March 2018. The 7th edition (GGFI 7) was published on 29 April 2021. Nur-Sultan has entered the GGFI for the first time in this edition, and has entered in a leading position in the Eastern Europe & Central Asia region, ranked 57th in the world, and first in the region.

Fintech in Kazakhstan and the AIFC

Developed infrastructure and favourable market conditions make Kazakhstan a prominent player in the global financial technology (fintech) industry.

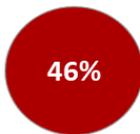
AIFC Enables The Growth Of FinTech



Kaspi.kz, the largest payment, trading platform and financial technology ecosystem in Kazakhstan, went public in 2020, with an initial public offering (IPO) on the Astana International Exchange (AIX) and the London Stock Exchange (LSE). Kaspi.kz's IPO on LSE and AIX valued the company at \$6.5 billion, making it Kazakhstan's most valuable publicly traded company. Today, its market capitalisation is over \$12.96 billion.

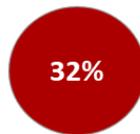
Kaspi.kz operates the Kaspi.kz super app, the most popular mobile app in Kazakhstan. With a population of 18 million in Kazakhstan, Kaspi.kz has 7.8 million monthly active users.

Marketplace platform – online retail



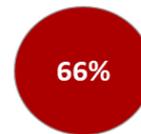
E-Commerce gross merchandise value share in Kazakhstan

Fintech platform – digital finance products



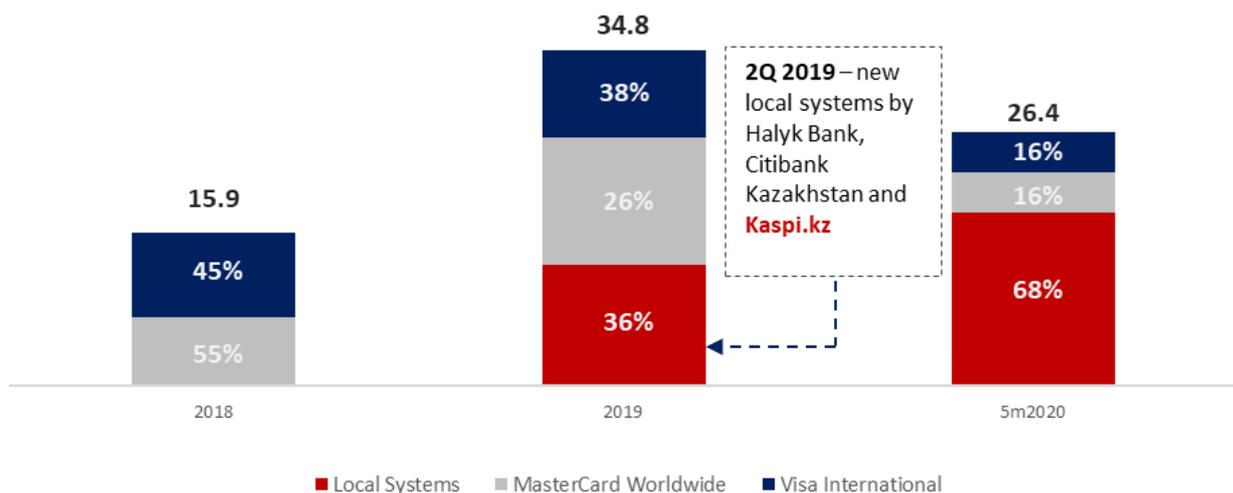
Market share of consumer loans in Kazakhstan

Payments platform – digital payments transactions



Share of total payment network transactions in Kazakhstan

Cashless payments by international and local systems, \$ bn



Kazakhstan is one of the main players in the development of distributed ledger technology

#4

Rank by the distribution of bitcoin mining hashrate

6.17%

Share of the global bitcoin mining traffic

13

Mining farms

\$1.2 bn

Planned investment in mining and data centres until 2025.

Recent highlights

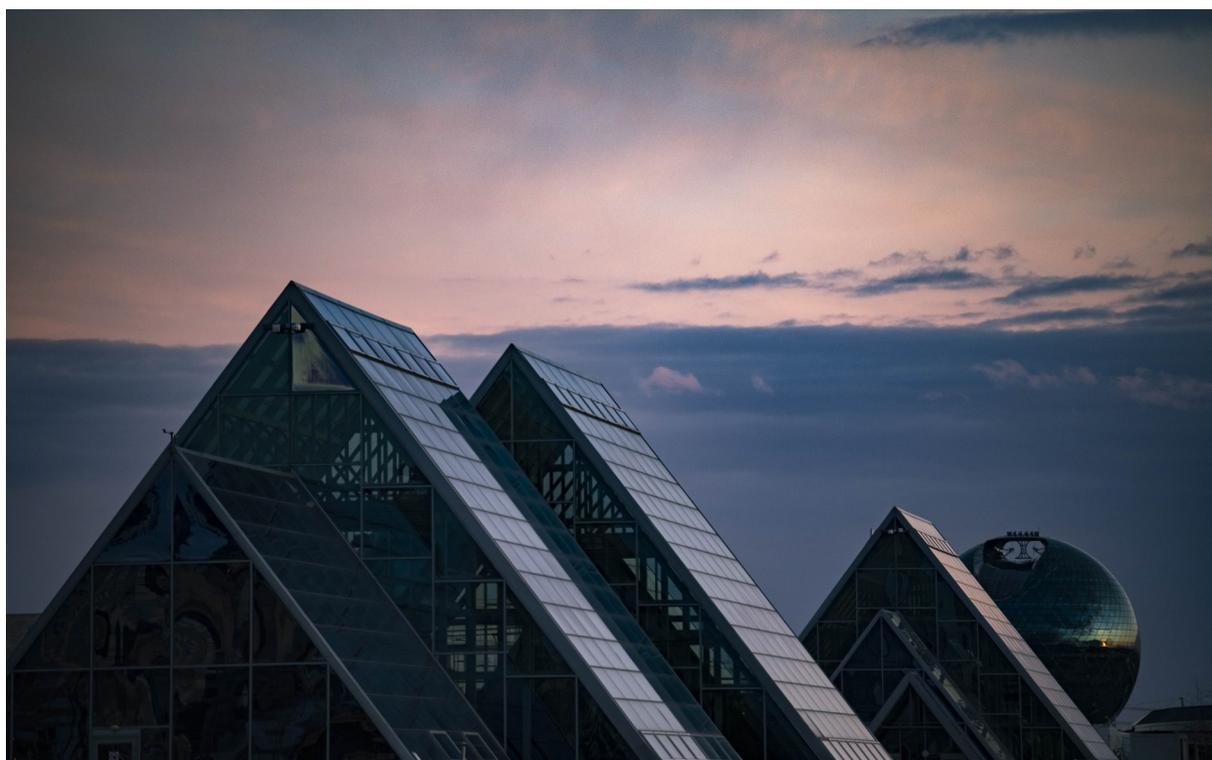


One of the largest data processing centres with a capacity of 180 MW was built in Kazakhstan in September 2020.



Amazon Data Services Kazakhstan Limited was registered in the AIFC in November 2020.

The AIFC develops a business and regulatory environment conducive to disruptive and consumer-oriented innovation. Part of the AIFC's strategy to attract global investment is to focus on improving efficiency, expanding access, and increasing the diversity of financial products and services through fintech.



Currently, the **AIFC Fintech Hub** works with over **120 start-ups** from Kazakhstan and Central Asia. All of them are focused on providing digital financial services – from biometrics to contactless payments.

AIFC Participants & Start-ups: Success Stories In FinTech



Kazakhstani start-up Sagi is a mobile application with which a user can send a digital gift and a gift certificate at any time from anywhere in the world. After registering the company with the AIFC, Sagi attracted investments, created a client base, and ensured the smooth operation of its product, thus increasing its share capital **from \$100 to \$1,300,100**.



Verigram, a platform for identity verification and customer onboarding, based on computer vision and machine learning technologies, is one of the AIFC Fintech Hub start-ups. Starting with a small number of clients and working in test mode, today up to **1 million confirmed transactions** in telecommunications, financial technology and online trading are carried out through Verigram.



Quantum Capital Limited is the first and only management company in the Kazakhstan market to introduce machine learning for trading in the stock market. The company obtained its AFSA license in February 2020 and was entrusted with assets worth more than **\$120 million**.

The AIFC is the first jurisdiction in the Eurasian region to support regulatory regimes for new forms of investments, including crowdfunding, initial coin offerings (ICOs), trading with digital assets, testing and developing fintech services under the regulatory sandbox regime called FinTech Lab, and cross-border testing of fintech activities in several jurisdictions under the Global Financial Innovation Network (a network of financial regulators).

FinTech Lab Regulatory Sandbox: Success Story



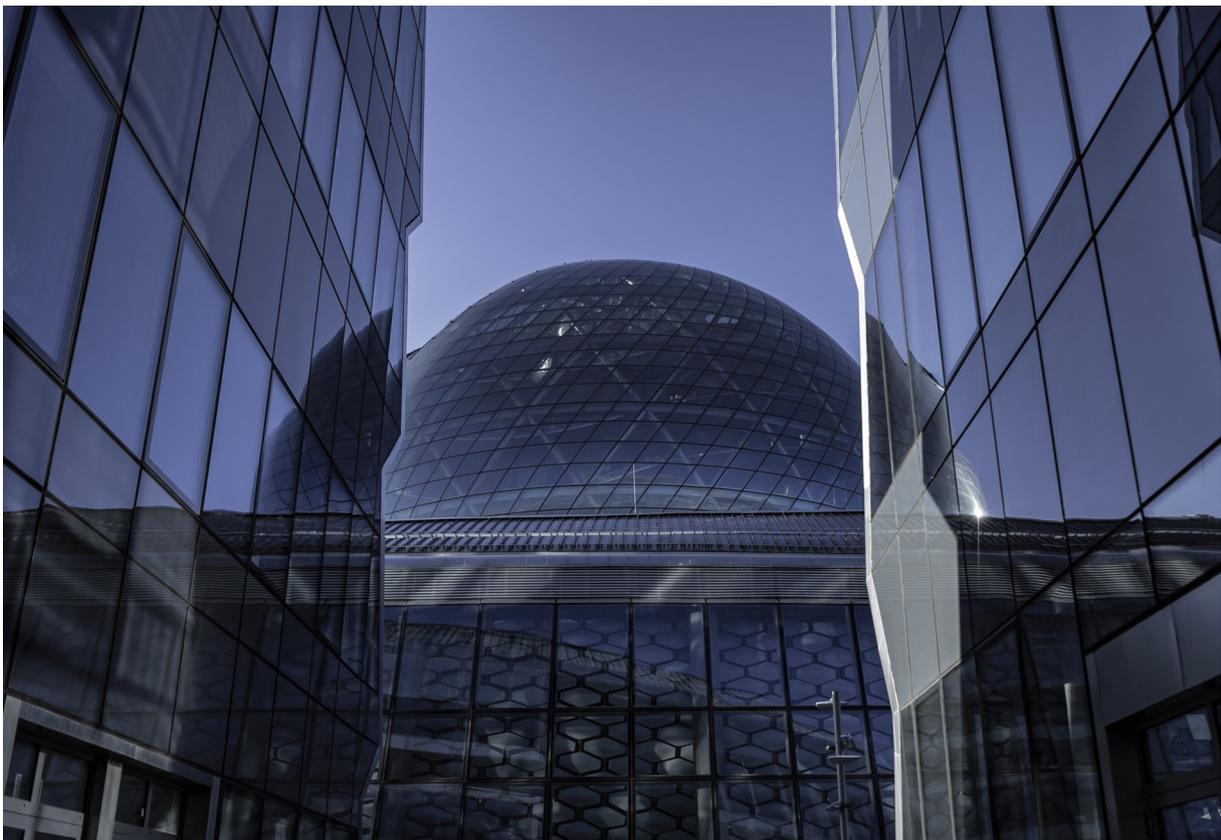
iKapitalist is the first licensed investment and crowdfunding platform in Kazakhstan. In June 2019, the AIFC, with the support of the European Bank for Reconstruction and Development, developed and adopted a regulation for crowdfunding in Kazakhstan. Under the new regulation, every Kazakhstani and Kazakhstani company can invest in a share of a business or provide loans to a business on their own terms.



Financial Deepening

To attract people not previously familiar with the stock market and provide them with the opportunity to start investing in the long term, the Astana International Exchange has developed a tool for investing in securities: the **Tabys mobile app**.

With the Tabys mobile app, any Kazakhstani can start investing by purchasing exchange-traded notes (ETNs). A feature of the Tabys app is that retail investors can buy ETNs for between \$10 and \$35, which means they do not need to have any significant savings to try to invest. The rights of Tabys users are protected by the Astana Financial Services Authority.



The AIFC And Green Finance

As Kazakhstan transitions towards a green economy, the near-term focus will be on rationalising the use of natural resources and 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) and developed a comprehensive strategy on green finance and procedures on green bond issuance.

The GFC provides initial assistance to potential green bond issuers and investors, and introduced subsidies for green projects into the national legislation. The centre also covers expenses incurred by issuers in providing the mandatory external review of green bonds.



Recently, GFC supported the issuance of the first-ever green bonds in Kazakhstan by the Damu Entrepreneurship Development Fund, a government-backed development institution that placed bonds on AIX in August 2020 to raise capital and support SMEs.

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.

The AIFC Ecosystem

Authority

AIFC Authority is the body responsible for the formation of the development strategy and promotion of the financial centre, as well as for providing conditions for the activities of the bodies of the AIFC, its participants and their employees.

Court

AIFC Court is the court for civil and commercial dispute resolution within the AIFC. It is the first common law- based court in the Central Asian region.

IAC

AIFC International Arbitration Centre provides an independent, cost-effective, and fast alternative to litigation.

AFSA

Astana Financial Services Authority is the integrated regulator of all market activities, ancillary service providers, and companies within the AIFC.



Astana International Exchange is a high-tech exchange, which uses the Nasdaq trading platform. AIX gives access to all the main capital market instruments.



The AIFC 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 Fintech Hub utilises the latest financial technologies to future-proof the AIFC's key business pillars and to develop a vibrant multi-stakeholder fintech ecosystem, bringing together financial institutions, technology partners, fintech companies,



The AIFC Bureau for Continuing Professional Development is a centre of excellence for professional and human capital development within the AIFC.

Expat Centre

The AIFC Expat Centre is a one- stop shop for fostering the expedited integration of foreign nationals into Kazakhstan's society. Foreign nationals can access a variety of government and socially oriented "soft-landing" services in English.

Business Connect

AIFC Business Connect provides investors and the international business community with the fully structured information and close support they need to access and invest in opportunities. available in Kazakhstan.

Highlights Of Activities Of The AIFC

- The AIFC became fully operational in 2018.
- AIFC participants include 750 companies from 51 countries.
- Parties can file cases at the AIFC Court and IAC via “eJustice” online portal.
- Potential and existing participants of the AIFC can establish and conduct business electronically within the jurisdiction of the AIFC through the “e-Residence” online platform.
- The legal and regulatory framework leverages international standards (IOSCO, Basel, IFSB, AAOIFI, IAIS, OECD, FATF, IFRS and US GAAP).
- The AIFC became a signatory to the IOSCO enhanced multilateral memorandum of understanding concerning consultation and cooperation and the exchange of information (IOSCO EMMoU) and member of the International Association of Insurance Supervisors (IAIS) multilateral memorandum of understanding in 2020.
- In 2018 the Kazakhstan Investment Development Fund was established to attract investments on the principle of co-investing in breakthrough projects in Kazakhstan.
- Green bond taxonomy was introduced in 2019.
- The listing of the first ETF on AIX: ITI Funds Russia-focused USD Eurobond UCITS ETF SICAV (“ITI ETF”).
- The first cross-listing of \$500 million sukuk on AIX was issued by Qatar International Islamic Bank with primary listing on the London Stock Exchange.
- The first RMB (Chinese yuan) bond of the China Construction Bank Corporation Astana branch was listed on AIX and the Hong Kong Exchange in the amount of RMB 1 billion.
- AIX launched a new Regional Equity Market Segment, offering midsize companies in Kazakhstan and Central Asia easier access to public equity finance.
- First listing of green bonds issued by the Damu Fund in the amount of 200 million KZT.

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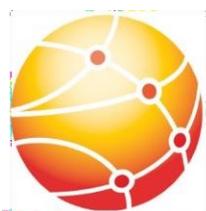
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Astana International Financial Centre (AIFC) plays a pivotal role in positioning itself as a global centre for business and finance, connecting the economies of the Central Asia, the Caucasus, EAEU, Western China, Mongolia, and Eastern Europe. It is a unique hub on the map of the financial world that brings together the best practices and opportunities offered by similar institutions around the globe – from New York City and London to Dubai, Hong Kong, and Singapore.

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