

Kazakhstan Stock Exchange: Looking forward to new opportunities

By: The WFE Focus Team

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The pandemic has brought many changes to the way we work. In your view, what changes are here to stay that will shape the workplace of the future?

During the global pandemic, the Kazakhstan Stock Exchange (KASE) and other exchanges around the world had to switch to an online format. Regardless of the COVID-19 situation, the rule of business continuity remains the key focus for us, especially for our main departments such as IT, Trading, Clearing and Settlement. Despite the fact that at various times up to 80% of the exchange's employees were working online, we ensured the continuous availability of our services and infrastructure for all market participants.

We had to strengthen our investment in IT and business continuity due to remote working, as well as the operation of our data centres. We also ensured that we supported our employees and interacted with them, creating comfortable conditions. The majority of our events held for clients switched to an online format, such as KASE talks, board meetings, issuer days, educational webinars and so on. We continued to work on the automation of the listing process and other services.

Thus, KASE not only overcame the current pandemic situation, but we also created the technological potential for our further development and continued working on IT modernisation.

We have seen how companies on different levels and doing various activities globally almost instantly switched to the new format of remote work, meetings and events, and, of course, this trend is here to stay.

At the same time, we all understand the value and importance of in-person meetings and we look forward to opportunities to participate in WFE conferences offline.

What do you see as the biggest challenges and opportunities for your exchange in the year ahead?

One of the biggest challenges is to keep our staff, as we encountered problems with changes in the workforce and additional stress due to COVID-19. We are therefore working on introducing motivational plans and support measures to reduce pressure among employees amid the changes caused by the pandemic.

One of the biggest opportunities is to grow the retail base market. This global trend has also affected our local stock market. According to the CSD in Kazakhstan, during 11 months of 2021 more than 81,000 new accounts were opened and amounted in total to almost 214,000 accounts against 17,400 accounts opened by individuals for the whole of 2020. According to our estimates, the retail investor base in the next few years may grow to 500,000 accounts.

In Kazakhstan, a significant increase in the participation of retail investors on the stock market was facilitated by the digitalisation of financial services, as well as the facilitation of retail investors' access to the market due to the adoption of amendments by the regulator on remote identification. Brokers and the banking sector have made digitalisation of their services the main "chip" in 2021. The digitalisation of services ensures not only the well-coordinated working of the entire market, but also opens up new opportunities for both current and future market participants.

On the other hand, the rise in the number of retail investors may lead to the increased inflation of assets. The world economy has grown more slowly than stock indices, and in recent years the market gap has increased even more.

These challenges require the synchronisation of increasing retail participation along with the launching of investor education programs. It implies additional tasks for the stock exchange to educate the local population on the principles of the stock market.

The financial literacy of the population, as well as attracting retail investors to the stock market are among the KASE's most important tasks. On an ongoing basis, we host seminars, round tables and training events aimed at improving financial literacy, as well as two contests - the Retail Investors Contest on Equity Market and the Stock Market Simulator. We also host Ring the Bell for Financial Literacy annually as part of the global World Investor Week initiative.

What was your most memorable moment this year as a leader?

This year, we launched the KASE Global platform for trading the most liquid foreign stocks. It includes over 30 stocks of top American companies that are available to local investors. It was a challenging task to implement as it required a lot of business processes. We are glad we were able to launch it without any delays in our plan.

It should be noted that the foreign stock market is quite popular in a number of countries due to the active participation of retail investors in investing in the securities of issuers from other countries.

We expect KASE Global will attract even more retail investors in the next year and we aim to include more global stocks on the platform, expanding the number up to 100 and including stocks from other markets. By 2024, the trading volume of foreign stocks is forecast to reach more than \$1 billion.

What are the three key industry themes you will be focused on in 2022?

This year, we have successfully completed the implementation of our Development Strategy 2019-2021, and just recently approved the Development Strategy 2022-2024. To prepare the new strategy we followed current global and local macroeconomic trends, government policy measures and the best international practices in the development of stock exchanges.

The priority areas for the new strategy include, first of all, increasing the participation of retail investors. This involves the big task of growing the product line and diversification, as well as expanding the segment of SME issuers on the stock market and more IPOs.

Secondly, developing ESG financing and practices. It is important to note that the green direction in our strategy does not only imply bringing the internal environment into line with ESG principles, it greatly focuses attention on our mission of promoting sustainable development standards in the Kazakhstan market.

Thirdly, last year we launched CCP services. The next stage, which is reflected in the new strategy, is bringing its services into line with international practices and standards, separating its functionality into a separate subsidiary, building a risk management system, business processes and gaining international recognition.

Tell us one thing that will change in 2022 and one thing that won't?

ESG will remain on the global agenda, and the Kazakhstan Stock Exchange will continue to support it.

Over five years we have been promoting ESG information disclosure and ESG principles. This year, ESG bonds were issued by local and international financial institutions on our platform. We also attracted rating and audit companies for an independent assessment of ESG bonds according to international standards.

It is important to note that Kazakhstan, as a full member of the UN, among the 193 countries, adopted Sustainable Development Goals (SDGs) in September 2015. Guided by the SDGs, Kazakhstan included sustainable and green economy goals in its Strategy-2050 among the national priorities. The concept for the transition of Kazakhstan to a green economy in 2021 – 2030 is being implemented by the government.

Following recommendations by the OECD and EU, a new Environmental Code was adopted and entered into force on July 1, 2021. Also, to facilitate government efforts to clarify the definitions of activities for the green economy transition and measure the impact of green projects, a green taxonomy mechanism is being developed in Kazakhstan.

Being in line with the government's vision of a green future, the Kazakhstan Stock Exchange will work further on developing ESG financing and practices in the stock market.

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