



ASTANA FINANCIAL SERVICES AUTHORITY

CONSULTATION PAPER No.18

**Proposed AIFC Financial Technology Legislative
Framework**

November 28, 2018

Introduction

1. The Astana Financial Services Authority (“AFSA”) has issued this Consultation Paper No. 18 to invite public feedback and comments on the proposed Astana International Financial Centre (“AIFC”) Financial Technology Legislative Framework.
2. The proposed Financial Technology Rules and amendments to the AIFC General Rules and Glossary are set out in Annexes 1-3 to this Paper.
3. This Consultation Paper may be of interest to a Person looking to carry on the FinTech Activities within the FinTech Lab, which is a regulatory environment within the AIFC that allows a Person to Test and/or Develop the FinTech Activities without immediately incurring full set of regulatory requirements envisaged under the AIFC Acts for Regulated and Market Activities.
4. All comments should be in writing and sent to the address or email specified below. If sending your comments by email, please use “Consultation Paper No. 18” in the subject line. You may, if relevant, identify the organisation you represent when providing your comments.
5. The AFSA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise. Comments supported by reasoning and evidence will be given more weight by the AFSA.
6. **The deadline for providing comments on the proposals is 28 December 2018.** Once we receive your comments, we shall consider if any refinements are required to the proposed Legislative Framework.
7. **Comments to be addressed to:**
Consultation Paper No. 18
Innovation Policy Division
Astana Financial Services Authority (AFSA)
8 Kunayev Street, Building B, Astana, Kazakhstan
or emailed to: Fintech.Consultation@afsa.kz, Tel: +7 (7172) 647276

Background

8. The rise of FinTech requires regulators to understand how to best apply regulatory principles to new settings created by new technologies and business models. Unless clear guidelines and precedents are provided or the means for running controlled experiments are allowed, the opportunities created by FinTech can remain unexplored. Therefore, certainty and predictability in legal framework may become the main deal breakers for FinTech innovators.
9. Following the international approach, in 2017 AFSA introduced the FinTech Regulatory Sandbox (“Sandbox”), a tailored regulatory environment where firms can develop and test FinTech innovations under the strict supervision of regulator without immediately incurring all the normal regulatory consequences of engaging in financial services activity and obtaining a Licence from AFSA.
10. However, recognizing the FinTech’s potential to improve efficiency within financial markets and systems, there is a need to further enhance the regulatory environment for FinTech businesses in the AIFC.
11. The proposed framework will maintain the existing Sandbox regime for Testing the FinTech Activities and will introduce a new regime that allows the FinTech firms to Develop their FinTech activities that are currently regulated / or not regulated in the AIFC with minimum expenditures in a phased manner under the new Licence on Developing the FinTech activities.
12. Thus, the regime of Testing the FinTech Activities is a live environment which allows a Person to test the validity of the following types of activities in a cost-effective and time-bound manner under the bespoke individual requirements, in close collaboration with the AFSA:
 - a) Financial Activities which are similar to those that are already being regulated in the AIFC, where:
 - i. a different technology or process is being applied; or
 - ii. the same technology is being applied differently; or
 - b) Financial Activities not regulated in the AIFC; or

- c) Activities likely to be regulated in the AIFC as a financial or an ancillary service.
13. The regime of Developing the FinTech Activities is a live market environment in which a Person can engage into the activities that are currently regulated or not regulated by the AFSA under the light touch (waivers/modifications) requirements, in close collaboration with the AFSA.
14. The regime of Developing the FinTech Activities is tailored in the circumstances where:
- a) it is less clear whether the proposed FinTech Activity would have demand in Kazakhstani or regional market (test the waters), or
 - b) an applicant is a start-up that does not meet full-set of requirements for the regulated activities but seeks to deploy the FinTech Activities and comply with regulatory obligations gradually, or
 - c) an applicant holds a licence to operate the proposed FinTech Activity in other jurisdiction(s) which is not currently regulated by the AFSA.