



Astana Financial Services Authority

Consultation Paper

No. 19 of 2019

Proposed Amendments to AIFC Market Rules

January 28, 2019

Introduction

1. The Astana Financial Services Authority (AFSA) has issued this Consultation Paper to invite public comments on the proposed amendments to the AIFC Market Rules with the aim at enhancing market infrastructure in the AIFC.
2. The proposals in this Consultation Paper will be of interest to individuals, financial services companies, market institutions and investors who are interested in doing business in the AIFC.
3. 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 19” in the subject line. You may, if relevant, identify the organisation you represent when providing your comments. 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.
4. The deadline for providing comments on the proposals is **27 February 2019**. Once we receive your comments, we shall consider if any refinements are required to this proposal.
5. Comments to be addressed by

post: Policy and Strategy Division
Astana Financial Services Authority (AFSA)
41/3 Mangilik El, building C3.2, Kazakhstan
or emailed to: consultation@afsa.kz
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Background

1. The proposed amendments are related to the admission of securities without a prospectus that are already listed at a foreign exchange to the listing at AIX.
2. According to sub-rule 1.2.2 (h) of the AIFC Market Rules, an Authorised Investment Exchange may admit Securities to trading without a Prospectus that are already admitted to trading on another Authorised Investment Exchange or Recognised Non-AIFC Market Institution (“the other market”).

AIFC MARKET RULES

1.2 Exemptions

(...)

1.2.2 Exempt Securities

An Authorised Investment Exchange may admit the following Securities to trading without a Prospectus:

...

- (h) *Securities already admitted to trading on another Authorised Investment Exchange or Recognised Non-AIFC Market Institution (“the other market”), where:*
- (i) *the Securities, or Securities of the same class, have been admitted to trading and continuously traded on the other market for more than 18 months; and*
 - (ii) *the ongoing obligations for trading on that other market have been complied with; and*
 - (iii) *the Person requesting the admission to trading of the Securities under this exemption makes available to the public in accordance with MAR 1.7 a Prospectus Summary in accordance with MAR 1.4 (Prospectus Summary) in the English language, which is approved by Authorised Investment Exchange and which states where the most recent Prospectus can be obtained and where the financial information published by the Issuer pursuant to its ongoing disclosure obligations is available.*

3. Astana International Exchange (AIX) cannot admit securities already listed at foreign exchanges to its listing with simplified procedure. MAR 1.2.2 (h) allows the admission of securities without a prospectus to only another AIFC Authorised Investment Exchange or exchange which is recognised in accordance with AIFC Recognition Rules.

KEY ELEMENTS OF THE PROPOSED AMENDMENTS

4. Amendments to sub-rule 1.2.2 (h) of the AIFC Market Rules to allow admission of securities without a prospectus that are already listed at Equivalent Exchanges to the listing at Astana International Exchange (AIX). The list of such Equivalent Exchanges shall be issued by the AFSA based on the objective criteria of equal or higher standards.
5. *DIFC has the model under which the offers of securities, the prospectus for which has been approved by other Regulated exchanges fall under the “exempt offer” rule.*
6. *According to sub-rule .2.4.1 (i) of DFSA Markets Rules (MKT), Exempt Securities include the securities already admitted to trading on another Authorised Market Institution or Regulated Exchange (“the other market”), provided that:*
 - (i) the Securities, or Securities of the same class, have been admitted to trading and continuously traded on the other market for more than 18 months;*
 - (ii) the ongoing obligations for trading on that other market have been complied with; and*
 - (iii) the Person requesting the admission to trading of the Securities under this exemption makes a summary document in the English language which is approved by the DFSA in accordance with the requirements in section 2.6 (Approval and publication of a prospectus) and published:*
 - (A) containing the information set out in Rule 2.5.2(1)(b) (Key Information relating to risks associated with issuer and the relevant securities; general terms of the offer; whether the securities are to be admitted to trading and if so, the details relating to such admission; reasons for the offer and the proposed use of the proceeds);*
 - (B) stating where the most recent and current prospectus, if any, can be obtained; and*
 - (C) specifying where the financial information published by the issuer pursuant to its ongoing disclosure obligations of the other market is available.*
7. According to the DFSA Glossary, Regulated Exchange is an exchange regulated by a Financial Services Regulator.
8. DFSA has a wide approach to cover securities from any regulated exchange. The amendments proposed by the AFSA take the narrow approach to include into the “Exempt offer” category only securities, for which prospectus has been approved by “Equivalent Exchange” and set the criteria for such equivalence.

AIFC MARKET RULES

1.2 Exemptions

1.2.2 Exempt Securities

(1) *An Authorised Investment Exchange may admit the following Securities to trading without a Prospectus:*

(...)

(h) Securities already admitted to trading on another Authorised Investment Exchange, ~~or~~ Recognised Non-AIFC Market Institution or other Equivalent Regulated Exchange (“the other market”), where:

- (i) the Securities, or Securities of the same class, have been admitted to trading and continuously traded on the other market for more than 18 months; and*
- (ii) the ongoing obligations for trading on that other market have been complied with; and*
- (iii) the Person requesting the admission to trading of the Securities under this exemption makes available to the public in accordance with MAR 1.7 a Prospectus Summary in accordance with MAR 1.4 (Prospectus Summary) in the English language, which is approved by Authorised Investment Exchange and which states where the most recent Prospectus can be obtained and where the financial information published by the Issuer pursuant to its ongoing disclosure obligations is available.*

(...)

(2) *For the purposes of MAR 1.2.2 (1)(h):*

(a) *“Equivalent”, in relation to a Regulated Exchange, means that the AFSA has determined, either on the application of an Issuer or upon its own initiative, that investors in Securities admitted to trading on the facilities of such Regulated Exchange are afforded protection equivalent to that which they would be afforded [if the Issuer were required to comply with MAR 1.1.1(b) without regard to MAR 1.2.2(1)(h)], having regard to the law and practice of the country or territory in which the head office of the Regulated Exchange is situated and to its rules and practice; and*

(b) *the AFSA may publish a list from time to time identifying Regulated Exchanges it has determined to be Equivalent.*

9. The list of such Equivalent Exchanges shall be issued by the AFSA based on the objective criteria of equal or higher standards.
10. Such amendments will provide the conditions for fast-track listing on AIX (as secondary listing) of high-quality issuers, which have their securities admitted on other regulated exchanges (as primary listing), subject such exchanges have the equivalent level of requirements for offer documents.
11. From regulative prospective, these high-quality companies do not require to undergo burdensome procedure of preparation and submission of full prospectus. This will assist AIX to build liquid and developed market.

12. The adoption of the proposed amendments to Market Rules will facilitate the implementation of the best practices in AIX, which will lead to the development of Kazakhstani capital market and, as a result, international investors will be attracted to Kazakhstan.

Question:

Do you have any concerns relating to the proposed amendments to AIFC Market Rules? If so, what are they, and how should they be addressed?