

Significant developments in 2018 and 2019 in Kazakhstan: A lawyer's perspective



KAZAKHSTAN

By Shaimerden Chikanayev

The following is an outline of some of the major legal developments in Kazakhstan last year, and a selection of key changes that we anticipate for business, including Islamic finance, for this year.

Renewable energy fresh start

2018 started with Kazakhstan switching from the fixed feed-in tariff support system to the mechanism of auctions to develop renewable sources of energy. The auction system made the process of granting renewable energy projects open and transparent and gave impetus to the implementation of the most cost-effective projects. The first auctions successfully took place in May-June 2018 and caught the interest of 42 participants from different countries. The Ministry of Energy recently declared that further improvements of relevant legislation shall be expected in 2019, including addressing the issue of creditworthiness of a single offtaker.

New currency law

The new currency law has been adopted in 2018 but it will take effect only on the 1st July 2019. The new law will stiffen control over the outflow of capital from Kazakhstan and local banks in particular. One of the major goals of the new currency law is to grant the National Bank of Kazakhstan greater regulatory powers and control over currency flows as well as to limit foreign currency transactions. For instance, once the new currency law takes legal effect, branches and representative offices of



foreign non-financial organizations in Kazakhstan, generally, will no longer be able to transact operations with residents (such as local counterparties) in foreign currency.

Official launch of AIFC

Modeled on the Dubai International Financial Centre, the Astana International Financial Centre (AIFC) was officially launched on the 5th July 2018. The AIFC has its own laws and regulations and even its own court and facility for arbitration. The key feature and siren call of the AIFC is a new jurisdiction based on, apparently, English law principles, as English law is familiar and convenient for investors. As part and parcel of an ongoing major state asset sale program in Kazakhstan, Kazatomprom – the world's largest producer of uranium – went public in November 2018 by selling a portion of its issued shares on the London Stock Exchange and on the stock exchange of the AIFC, the Astana International Exchange.

Changes in insurance legislation

In July 2018, Kazakhstan adopted a number of amendments to the country's insurance legislation. One of the major novelties is that starting from the 1st January 2019, insurance contracts may be concluded electronically. The changes also introduced more stringent control over the reinsurance of risks abroad and over collaboration with foreign insurance brokers in particular.

New natural monopolies law

Taking into account the foreign experience of tariff regulation, Kazakhstan developed and adopted in December 2018 the whole new Natural Monopolies Law in a new wording, which provides, among others, for the new tariff-setting system, whereby the approval of tariffs for the services of natural monopoly entities would depend on the increase in the efficiency of their activities and compliance with service quality standards. ☺

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