

Kazakh privatization: A fresh start



KAZAKHSTAN

By *Shaimerden Chikanayev*

Although the Kazakhstan securities market is the most developed in Central Asia, its development has been slow compared to the country's banking sector. It now faces an uphill struggle due to intense competition from foreign capital markets for Kazakhstan's attractive pipeline of IPOs and eurobonds. Kazakhstan's largest companies typically choose to list their shares or global depositary receipts and issue eurobonds in London to gain access to high-quality international investors.

Meanwhile, smaller Kazakh companies have been deterred from listing and raising finance locally because of the high listing conditions set by the only — until this year — local stock exchange, the Kazakhstan Stock Exchange, and a lack of liquidity (there is, effectively, only one investor in Kazakhstan: the Unified Pension Fund).

Kazakh authorities evidently realized the importance of developing the local capital market and that privatization of state assets can give Kazakhstan a real opportunity to bolster the competitiveness and efficiency of some of its most significant companies.

It is hoped that the creation of the Astana International Financial Centre (AIFC), which is modeled on the Dubai International Financial Centre and officially launched on the 5th July this year, and the ongoing global privatization of state-owned companies including by way of IPOs, will help in achieving these challenging objectives.

Multiple IPOs, particularly those of national companies Kazakhtelekom, Kazatomprom and AirAstana, are scheduled for the next few years on the stock exchange of the AIFC, the Astana International Exchange (AIX). Placement of a debut sovereign Sukuk facility is also expected to take place on the AIX's platform by the end of 2018.

In 2009, Kazakhstan was the first country in the Commonwealth of Independent States and Central Asia to introduce Islamic banking and Islamic securities in the form of Sukuk Murabahah. One of the core pillars of the AIFC is Islamic finance, as it aims to become an Islamic finance hub not only for Kazakhstan, but for the whole of Central Asia, the Eurasian Economic Union, the Caucasus, West China and Mongolia.

There is no doubt, therefore, that Kazakh privatization, the issuance of Islamic bonds and proposed IPOs on the AIX would attract capital not only from western and Chinese investors, but also from Muslim markets in the Middle East and Southeast Asia.

Against the backdrop of fluctuating commodity prices, global trade wars and a continued dependence on natural resources, privatization and liberalization would come as a breath of fresh air for Kazakhstan. ☺

Shaimerden Chikanayev is a partner at Grata Law Firm. He can be contacted at schikanayev@gratanet.com.



IFN Country Correspondents

AFGHANISTAN: Manezha Sukhanyar former head of Islamic banking, Maiwand Bank
ALGERIA: Dr Ahmed Tahiri Jouti COO, Al Maali Consultancy Group
AUSTRALIA: Christopher Aylward partner, Finance and Major Transactions, Madison Marcus Law Firm
BAHRAIN: Dr Hatim El-Tahir director of Islamic Finance Knowledge Center, Deloitte & Touche
BANGLADESH: Md Shamsuzzaman additional managing director, head of operations wing, Islami Bank Bangladesh
BRAZIL: Fábio Amaral Figueira partner, Veirano Advogados
CANADA: Rehan Huda managing director, Amana Canada Holdings
EGYPT: Dr Walid Hegazy managing partner, Hegazy & Associates
GERMANY: Ahmet Kudsi Arslan CEO, KT Bank
HONG KONG: Wilson Yeung member, The Taxation Institute of Hong Kong
INDIA: Ali M Shervani partner, Consigliori Consultants
INDONESIA: Irwan Abdalloh head of Islamic Capital Market, Indonesia Stock Exchange
IRAN: Majid Pireh head of Islamic finance group at the Securities and Exchange Organization of Iran
ITALY: Stefano Padovani partner & head of banking and finance, NCTM Studio Legale Associato
IVORY COAST: Abbas Cherif head of Islamic finance, An Nour Consulting
JAPAN: Dr Etsuaki Yoshida project associate professor, Kyoto University
KENYA: Mohamed Abdi Shariah manager Islamic Banking- Barclays Kenya
KAZAKHSTAN: Shaimerden Chikanayev partner, Grata Law Firm
KUWAIT: Issam Al Tawari managing partner, Newbury Economic Consultancy
KYRGYZSTAN: Daniyar Mamyrov CEO, Kompanion Islamic Microfinance
MALAYSIA: Ruslena Kamli head, Islamic finance, RAM Rating
MALDIVES: Aishath Muneeza chairman, Maldives Center for Islamic Finance
MALTA: Reuben Buttigieg president, Malta Institute of Management
MOROCCO: Dr Ahmed Tahiri Jouti COO, Al Maali Consultancy Group
NIGERIA: Hajara Adeola managing director and CEO, Lotus Capital
OFFSHORE CENTERS: Manuela Belmontes partner, Maples & Calder (Dubai)
OMAN: Dhana Pillai head of real estate, tax and project finance, Al Hashmi Law Firm
PAKISTAN: Muhammad Shoaib Ibrahim managing director & CEO, First Habib Modaraba
PHILIPPINES: Rafael A Morales managing partner, Morales & Lumagui
QATAR: Amjad Hussain partner, K&L Gates
RUSSIA: Dr Ilyas Zaripov member, Partnership Banking Working Group, Central Bank of the Russian Federation
SAUDI ARABIA: Nabil Issa partner, King & Spalding
SENEGAL: Abdoulaye Lam president & CEO, Global Islamic Finance & Transactions
SRI LANKA: Suresh R I Perera principal, Tax & Regulatory, KPMG
TUNISIA: Mohamed Araar General directorate of External Financing and Settlements, deputy director of Private Financing and International Relations Department, Central Bank of Tunisia
UAE: Anita Yadav senior director, head of fixed income research, Emirates NBD
UK: Suhail Ahmad founder of the Financial Network and partner, Gateway Islamic Advisory
IFN Correspondents are experts in their respective fields and are selected by Islamic Finance news to contribute designated short country reports. For more information about becoming an IFN Correspondent please contact sasikala.thiagaraja@redmoneygroup.com