

## **IMPROVEMENT OF INSTRUMENTS OF STATE REGULATION OF THE FINANCIAL MARKET OF THE REPUBLIC OF KAZAKHSTAN**

**Seitkhozhina Jamilya**

L.N. Gumilyov Eurasian National University,  
Nur-Sultan city, Republic of Kazakhstan

The formation and development of the domestic financial market took place in the context of the creation and improvement of its institutional structure.

The national Bank of the Republic of Kazakhstan (hereinafter – NB RK) perform all the functions and powers of the Department of Insurance Supervision of the Ministry of Finance (1998),

The Commission on securities and stock exchanges of the Republic of Kazakhstan acted for the regulation of the securities market (2001), Committee on the regulation of accumulative pension funds of the Ministry of labor and social protection of the population of the Republic of Kazakhstan on the regulation of activities of accumulation pension funds (2002) [1].

Based on the Law of the Republic of Kazakhstan dated July 4, 2003 " On state regulation, control, and supervision of the financial market and financial organizations" the Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial organizations (hereinafter – the Agency) was established to exercise state control over the activities of financial market participants [2].

Decree of the President of the Republic of Kazakhstan (hereinafter – RK) No. 1270 of December 31, 2003, approved the Regulations on the Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial organizations, which began operating in 2004 [3].

Thus, the first level of the banking system was represented by two entities-the National Bank of Kazakhstan and the Agency. The Agency performed the main control and Supervisory functions of the regulator, while the National Bank of Kazakhstan began to pay more attention to inflation targeting, macroeconomic stability, and monetary regulation.

12 April 2011 by the decree of the President of RK N. Nazarbayev, the Agency was abolished and its functions and powers returned to the National Bank of Kazakhstan [4]. By the decree of the President dated 18.04.2011 No. 61 was formed a Committee for control and supervision of the financial market and financial organizations of NB RK [5].

The national Bank of Kazakhstan was the regulator for insurance companies, participants in the securities market, the Unified Accumulative Pension Fund (UAPF), and organizations engaged in certain types of banking operations. Also, it was assigned the function of protecting the rights of consumers of financial services.

Even before the announcement of the proposals on the redistribution of regulatory areas, experts saw a conflict of interests within the National Bank of Kazakhstan: the National Fund, the UAPF, banks, and other financial market participants were under

its jurisdiction. By presidential decree of November 11, 2019 No. 203 "On further improvement of state administration system of the Republic of Kazakhstan" effective from 1 January 2020, a new state body – the Agency of the Republic of Kazakhstan on regulation and development of the financial market [6].

The Agency is a state body that ensures an adequate degree of protection of the basic rights and interests of financial consumers. The Agency contributes to the growth of stability of the financial market of Kazakhstan and its further development, carries out state regulation, monitoring the state of the financial market, and control over it within the framework of legally established competencies.

In recent years, stagnation in the domestic financial market has been the result of restrictions imposed by the real sector of the economy.

These restrictions include:

- inability of banks to independently accumulate sufficient resources to Finance investment projects;
- availability of priorities in Bank lending;
- the presence of systemic risk due to the high loss-making capacity of certain types of insurance;
- low potential of institutional investors in the non-banking sector in the private investment market;
- insufficient supply in the securities market, which is unattractive for retail investors compared to Bank deposits and the real estate market;
- uncompetitiveness of the regional financial center of Almaty [7].

The SWOT analysis of the financial market of Kazakhstan is presented in the table (table 1).

The current situation in the global financial market cannot but affect the financial market of Kazakhstan. In this regard, regulatory measures, as well as actions of regulatory authorities to prevent possible imbalances related to global trends, should become strategic directions in the further development of the system of state regulation of the country's financial market.

Measures to improve the quality of regulation of the domestic financial market by international standards for the provision of financial services can be:

1. Reducing the cost of credit money in the country: strengthening the role of the discount rate; compliance with clear principles and procedures for managing the liquidity of financial instruments in their implementation; strengthening the role of real interest rates in the interbank market.

2. Modernization of the system of regulation and supervision in the financial services market:

- implementation of the principles of international organizations – IOSCO, IAIS, EIOPA;
- the transition to risk-based supervision and implement Supervisory consolidation tools;
- regular assessment and monitoring to establish asset quality, liquidity requirements, and recapitalization.

Table 1

**SWOT analysis of the financial market of the Republic of Kazakhstan**

<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>- an effective program of measures to stabilize economic development and overcome the crisis;</li> <li>- expansion of integration processes within the framework of interaction between the EAEU countries and a promising increase in exports;</li> <li>- activities of development institutions and Samruk-Kazyna national welfare Fund JSC, through which the state provides support to the real sector and financial institutions;</li> <li>- functioning of a single supervisory authority;</li> <li>- activation of non-Bank financial institutions, including mutual funds.</li> </ul>	<p><b>Weakness:</b></p> <ul style="list-style-type: none"> <li>- low market capitalization;</li> <li>- uneven development of stock market segments, the significant predominance of government securities and foreign currencies;</li> <li>- undeveloped market for derivative financial instruments;</li> <li>- lack of liquidity of financial institutions;</li> <li>- lack of financial instruments;</li> <li>- insufficient number of listed companies;</li> <li>- lack of information system, the unwillingness of issuers to disclose information.</li> </ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>- development and activation of the IPO;</li> <li>- high need for investment related to the need to upgrade equipment;</li> <li>- improving corporate governance practices;</li> <li>- development of investment banking;</li> <li>- promoting the development of collective forms of investment.</li> </ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>- rising inflation reduces incentives for long-term investment;</li> <li>- high degree of openness of the economy;</li> <li>- lack of a "benchmark" – low yield on government securities distorts the yield of other financial instruments;</li> <li>- administrative barriers, including high transaction costs;</li> <li>- low level of capitalization of the companies issuing;</li> <li>- a narrow industry representation of issuers in an organized market, reflecting the disparity in the development of economic sectors.</li> </ul>
<p>Note: compiled by the author</p>	

3. To increase the transparency and stability of financial markets, in particular, it is necessary to:

- strengthen the legislation in terms of fixing the obligation of financial market participants to publish detailed information about their activities on the open Internet;
- to develop a comprehensive strategy for the development of financial markets of Kazakhstan, or to change the existing concept of development of the financial sector of Kazakhstan until 2030, taking into account modern changes in the world economy;
- to increase the requirements for the level of corporate governance of financial market entities;
- strengthen the requirements for the risk management system of financial market participants.

4. Improving the taxation system of financial market entities should be implemented by implementing the following measures:

- creating a favorable tax system for the derivatives market;

- development of tax incentive mechanisms for long-term investments;
  - creating a favorable tax system for the collective investment market.
5. Ensuring the institutional independence of financial market regulators (increase the autonomy and independence of regulators);
6. Improving the organizational efficiency of financial market regulators:
- determine the target model of the functioning and the roadmap for the transformation of regulators;
  - to improve the effectiveness of the system for identifying inefficient financial market participants;
  - ensure the development of a single competence center for the sale of non-core assets.
7. Stimulating the development of financial literacy of consumers and investors in the financial market. This requires:
- financial services disclosure standards to improve the quality of financial services;
  - sanctions imposed for violations of the rights of consumers of financial services;
  - mechanism for protecting the rights of minority shareholders;
  - strengthen the information component of the activities of the National Bank of Kazakhstan and the newly created Agency aimed at informing the population and financial market participants using modern mass media-social networks, television, and the media.

The implementation of the proposed measures will help transform the system of regulation of the domestic financial market into a competitive environment, increase its stability to external influences, and ensure financial stability in the long term.

### **Literature**

- 1 Сейтхожина Д.А. Государственное регулирование экономики. Учебное пособие. - Алматы: Эпиграф, 2017. – 272 с.
- 2 Закон Республики Казахстан от 4 июля 2003 года № 474-ІІ «О государственном регулировании, контроле и надзоре финансового рынка и финансовых организаций» (с изменениями и дополнениями по состоянию на 01.01.2020 г.) [Электронный ресурс]. – Режим доступа: [https://online.zakon.kz/document/?doc\\_id=1041467](https://online.zakon.kz/document/?doc_id=1041467)
- 3 Указ Президента Республики Казахстан от 23 апреля 2019 года № 31 «О внесении изменений и дополнения в Указ Президента Республики Казахстан от 31 декабря 2003 года № 1271 «Об утверждении Положения и структуры Национального Банка Республики Казахстан» [Электронный ресурс]. – Режим доступа: [https://online.zakon.kz/document/?doc\\_id=36726432](https://online.zakon.kz/document/?doc_id=36726432)
4. Указ Президента Республики Казахстан от 12 августа 2011 года № 139 «О внесении изменений и дополнений в некоторые указы Президента Республики Казахстан» // [https://online.zakon.kz/m/document/?doc\\_id=31046668](https://online.zakon.kz/m/document/?doc_id=31046668)
5. Указ Президента Республики Казахстан от 18 апреля 2011 года № 61 «О некоторых вопросах Национального Банка Республики Казахстан» (с изменениями от 12.08.2011 г.) [Электронный ресурс]. – Режим доступа: [https://online.zakon.kz/document/?doc\\_id=30976524](https://online.zakon.kz/document/?doc_id=30976524)

6. Указ Президента Республики Казахстан от 11 ноября 2019 года №203 «О дальнейшем совершенствовании системы государственного управления Республики Казахстан». – [Электронный ресурс]. – Режим доступа: // [https://online.zakon.kz/Document/?doc\\_id=32553336](https://online.zakon.kz/Document/?doc_id=32553336)

7. Романюк Л.Р., Погорелова К.А., Фрумина С.В. Некоторые вопросы развития финансового рынка Республики Казахстан. – [Электронный ресурс]. – Режим доступа: [http://academymanag.ru/files/sbornik261214\\_3.pdf](http://academymanag.ru/files/sbornik261214_3.pdf)