



AFSA

Astana
Financial
Services
Authority

Consultation Paper

AFSA-P-CE-2020-0005

Proposed amendments to the AIFC Pre-IPO Listings Rules

Unrestricted

September 17, 2020

Introduction

1. The Astana Financial Services Authority (AFSA) has issued this Consultation Paper to invite public comments on the proposed amendments to the AIFC Pre-IPO Listings Rules.
2. The proposals in this Consultation Paper will be of interest to current and potential AIFC participants who are interested in exercising business activities in or from 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 AFSA-P-CE-2020-0005” 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 **16 October 2020**. 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)
55/17 Mangilik El, building C3.2, Kazakhstan
or emailed to: consultation@afsa.kz

Tel: +8 7172 613781
6. The remainder of this Consultation Paper contains the following:
 - (a) Background to the proposal
 - (b) Annex 1: Draft of the proposed amendments to the AIFC Pre-IPO Listing Rules

Background

1. According to the AIFC Strategy 2025, developing a securities market in the Republic of Kazakhstan and integrating it with international capital markets are the key objectives of the AIFC. AIFC shall become the country's core platform for attracting portfolio investments, conducting IPO/SPO of large national and private companies. While further issuance and placement of corporate and public sectors financial instruments will be continued, raising demand from frontier and emerging markets in willingness to invest, shall also be fulfilled by provision of appropriate financial instruments.
2. The AIFC Pre-IPO Listings Rules were developed in 2018 with the aim to allow the admission of the Shares of an Issuer to an Official List maintained by an Authorised Investment Exchange, without the Issuer immediately carrying out an initial public offering of Shares and seeking their admission to trading on the Authorised Investment Exchange.
3. According to the AIFC Glossary, the Shares and Certificate over Shares are equity securities. A Share is a share or stock in the share capital of any Body Corporate or any unincorporated body (excluding a Unit). A Certificate over Shares is an instrument which confers on the holder contractual or property rights to or in respect of a Share held by a Person and the transfer of which may be effected by the holder without the consent of that other Person.
4. The common ways for issuers to raise equity capital is to offer shares and/or certificates representing shares. While shares in most of the cases can only be traded in local currency and on local exchanges, certificates allow issuers to list their securities in foreign currencies and on foreign exchanges and reach out to wider investor base. The certificates help to increase global trade, which in turn can help increase not only volumes on local and foreign markets but also the exchange of information as well as market transparency.
5. In order to apply the AIFC Pre-IPO rules in its entirety to Certificates over Shares, it is proposed to introduce an amendment in the AIFC Pre-IPO Listings Rules by adding "(or Certificates over Shares)" after "Shares".
6. The key objectives of the proposed amendments to the AIFC Pre-IPO Rules are as follows:
 - clarification of the AIFC regulatory framework;
 - attraction of new issuers and market participants to the AIX Market;
 - greater exposure to the global market for issuers, extension of international shareholder base;
 - diversification of investments.
7. Annex 1 describes the proposed amendments to the AIFC Pre-IPO Listings Rules.

Proposed amendments to the AIFC Pre-IPO Listings Rules

In these Rules the underlying indicates a new text

Guidance: Purpose and application of these Rules

The purpose of these Rules is to compliment AMI in relation to Pre-IPO Listings in the AIFC.

1. Application and Scope

- (1) These Rules apply within the jurisdiction of the AIFC.
- (2) The following do not apply in the case of a Pre-IPO Listing:
 - (a) Sections 66(3), 82(1) and 83(1) of the Framework Regulations; and
 - (b) Sections 86(a) through (c) of the Framework Regulations, provided that the Issuer complies with the requirements of the Listing Rules of the Authorised Investment Exchange as prescribed by Sections 4 and 5 of these Rules;
 - (c) MAR, in its entirety; and
 - (d) any Takeover Rules prescribed by the AFSA under Section 88 of the Framework Regulations outside of MAR, unless such Rules specifically state that they apply in the case of a Pre-IPO Listing.

2. Interpretation

- (1) For purpose of these Rules, a “Pre-IPO Listing” means the admission of the Shares (or Certificates over Shares) of an Issuer to an Official List maintained by an Authorised Investment Exchange, without the Issuer immediately carrying out an initial public offering of Shares (or Certificates over Shares) and seeking their admission to trading on the Authorised Investment Exchange.

3. Rules applicable to Authorised Investment Exchange

- (1) Subject to the requirements of this section 3, an Authorised Investment Exchange may include Pre-IPO Listings under a subheading of its Official List.
- (2) Without limitation of any other applicable requirements of AMI 3.6, an Authorised Investment Exchange that wishes to permit Pre-IPO Listings must include the following requirements in its Listing Rules:
 - (a) procedures for admission of Shares (or Certificates over Shares) to its Official List as a Pre-IPO Listing, including:
 - i. requirements to be met before Shares (or Certificates over Shares) may be granted admission to an Official List as a Pre-IPO Listing; and
 - ii. agreements in connection with admitting Shares (or Certificates over Shares) to an Official List as a Pre-IPO Listing;
 - (b) procedures for suspension and delisting of Shares (or Certificates over Shares) from an Official List as a Pre-IPO Listing; and
 - (c) requirements for disclosure to the markets of such information as the

Authorised Investment Exchange, in consultation with the AFSA, deems appropriate in lieu of the disclosure requirements of section 83(1) of the Framework Regulations and MAR.

- (3) For purposes of 3(2)(c), the Listing Rules must prescribe the type of information and the circumstances and manner in which such information must be disclosed including:
 - (a) financial information; and
 - (b) any other information or material change which occurs in relation to the Issuer.
- (4) A prominent warning, approved by the Authorised Investment Exchange, shall accompany each release of the information disclosed, regarding the nature and purpose of such information, including without limitation that
 - (a) certain regulatory requirements and protections applicable to Shares (or Certificates over Shares) admitted to trading on an Authorised Investment Exchange do not apply to a Pre-IPO Listing, including sections 82(1) (corporate governance), 83(1) (market disclosure) and 86(a) through (c) (insider information) of the AIFC Financial Services Framework Regulations, and the AIFC Market Rules in their entirety; and
 - (b) the information being disclosed (i) is provided solely for purposes of a Pre-IPO Listing; (ii) does not include key information customarily used for making investment decisions; (iii) is not a substitute for investment research, due diligence or advice; and (iv) is used by an investor for investment decision-making purposes solely at the investor's own risk.