



AFSA NOTICE AFSA-F-NB-2024-0005

**ON ASTANA FINANCIAL SERVICES
AUTHORITY'S EXPECTED APPROACH
TO DIGITAL ASSET PRODUCTS AND
SERVICES PROVIDED BY FINTECH LAB
PARTICIPANTS**

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THE AFSA HEREBY GIVES NOTICE THAT:

The Astana Financial Services Authority ("AFSA") pursues fostering the development of financial technologies in the Astana International Financial Center ("AIFC") according to its Regulatory Objective under the AIFC Rules and Regulations. The recent two years were pivotal in the development of the digital asset industry in the AIFC and generally, in Kazakhstan. The AFSA along with the state authorities of the Republic of Kazakhstan completed number of significant projects to test the activity of Digital Asset Service Providers ("DASP") and develop a comprehensive regulatory framework for providing Digital Asset services in the AIFC.

Notably, the key driver for the developments in digital asset sector in the AIFC was the launch of the "Pilot Project on Interaction of AIFC cryptoexchanges with Commercial Banks of Kazakhstan" in June 2022. The 1,5 year-long project successfully ended on 01 January 2024, and provided feedback that was instrumental in the development and enactment of the AIFC Rules "On Digital Asset Activities" and "The Rules and mechanisms of cooperation of Unbacked Digital Asset Exchanges and/or Centre Participants authorised to carry out digital assets-related activities with second-tier bank of the Republic of Kazakhstan" ("AIFC Rules") at the end of 2023. The AIFC Rules became effective on 1 January 2024 establishing comprehensive requirements (e.g. in relation to conduct of business, prudential, market integrity) that AIFC authorised DASPs must comply with when providing services in relation to Digital Assets, as well as key measures that commercial banks and DASPs must implement in relation to fiat transactions.

The results of the Pilot Project also laid down robust regulatory foundation for DASPs and can now serve as a leverage for DASPs and the AFSA for further crypto innovations in the AIFC. AFSA witnesses global rapid development of the DLT-related technologies, wider assets tokenisation trend and offerings of the multitude of the financial services in relation to Digital Assets

Following the receipt of market feedback on the need to expand the Digital Asset related services by new services to keep up with market trends and global competitiveness, the AFSA is committed to support further development of the Digital Asset sector in the AIFC to become a regional crypto-hub.

In light of above, with the purpose of further promotion of FinTech innovation in the AIFC, the AFSA invites all Digital Asset Service Providers authorised in its FinTech Lab to test the new types of products and services in relation to Digital Assets. These new types of Digital Asset services and products may include Digital Asset margin trading, peer-to-peer, derivatives trading, staking, non-fungible trading, Digital Asset loans and other services. AFSA notes that the list of products is non-exhaustive given the ever-evolving nature of DLT-related technologies.

It must also be noted that no complete taxonomy has been done by the AFSA in relation to the additional services. The AFSA aims to complete it throughout the testing period of these new services. By issuing this Notice, AFSA gives its expected approach to Digital Asset products and services that is provided below (see "Astana Financial Services Authority's Expected Approach to Digital Asset products and services provided by Fintech Lab Participants").

At the same time, AFSA recognizes that the innovative fintech services may bring novel risks and therefore, the testing of new Digital Asset services/products will be conducted under conditions,

boundary limits and safe environment of the AFSA's FinTech Lab (regulatory sandbox) to ensure consumer protection and market integrity.

If you as a DASP are interested to test your new product or services, as a first step please contact the AFSA (*relevant case officer*) for further guidance on the launch of the new Digital Asset products or services, while those persons willing to start authorised operations and simultaneously test new products and services in the AIFC needs to contact AFSA via following contact details: +7 (7172) 64-73-72 or fintechlab@afsa.kz

AFSA notes that no standard conditions, boundary limits and other mitigating measures will be imposed on new products and services of an applicant, since each case will be considered individually on a risk-based approach taking into consideration risks level of the specific product and the applicant.

ASTANA FINANCIAL SERVICES AUTHORITY'S EXPECTED APPROACH TO DIGITAL ASSET PRODUCTS AND SERVICES PROVIDED BY FINTECH LAB PARTICIPANTS

CHAPTER A. GENERAL

INTRODUCTION

- 1.1. This "AFSA's EXPECTED APPROACH TO DIGITAL ASSET PRODUCTS AND SERVICES PROVIDED BY AIFC LICENCED FINTECH LAB PARTICIPANTS" ("*Approach*") sets out the AFSA's expected approach regarding provision by the AIFC Digital Asset Service Provider ("*DASP*") of new Digital Asset products and services under the environment of AFSA's FinTech Lab, including the definitions for some types of products or services, types of licence that have to be obtained for the provision of certain services, the specific conditions for each product or service.
- 1.2. This Approach is expected to apply to the AFSA's FinTech Lab Participants that intends to provide Digital Asset services and products described in this Approach. However, AFSA notes that the list of products and services is non-exhaustive given the ever-evolving nature of DLT-related technologies.
- 1.3. FinTech Lab Participants that intend to offer or provide the Digital Asset products and services specified under this Approach should seek AFSA's approval to extend the activities and should rely on requirements, boundary conditions, and restrictions envisioned under this Approach. Additional requirements, boundary conditions, and restrictions will come into force following the FinTech Lab Participant's application to the AFSA to modify its Licence Notice, including requirements, boundary conditions and restrictions, AFSA's approval and issuance of a Licence Notice.
- 1.4. The Digital Asset products and services are specified in Chapter C of this Approach. Some products and services may not be covered within this Approach, however, they may have features and characteristics of products and services envisaged in Chapter C of this Approach.

OBJECTIVES OF THE APPROACH

- 1.5. Having published this Approach, the AFSA aims to promote FinTech innovation in the AIFC by providing AFSA's expectations to the AIFC FinTech Lab Participants intending to offer or provide Digital Asset products and services to Clients. At the same time, AFSA addresses the risks of innovation by providing expectations on safeguards to protect the interests of Clients and maintaining market integrity, specifically by testing the Digital Asset products and services within the AFSA's FinTech Lab environment and via additional requirements, boundary conditions, and restrictions.

- 1.6. The aim of this Approach is to help the AIFC FinTech Lab Participants to navigate the AIFC regulatory framework when offering or providing Digital Asset products and services and to provide AFSA's expectations on definitions of new Digital Asset products and services, the expected type of licence(s) that might be required to obtain in order to conduct new activities.

CHAPTER B. DEFINITIONS OF THE DIGITAL ASSET PRODUCTS AND SERVICES UNDER THE APPROACH

2. AFSA outlines following definitions that might be applicable to Digital Assets products and services under this Approach:
 - 2.1. **Managing Digital Asset** - means managing Clients' Digital Assets for the purposes of investing them and distributing portion of the profit from investments to Clients.
 - 2.2. **Digital Asset Margin** - means pre-agreed amount a Client is required to pay (or deposit as a Collateral) to open and maintain a position relating to a Digital Asset Derivative.
 - 2.3. **Operating a Peer-to-peer ("P2P") trading platform** - means operating a platform that brings together multiple parties that allows buying, selling of Digital Assets for a Fiat Currency, where Clients post bid/ask quotes on the platform to trade directly with each other.
 - 2.4. **Providing a Digital Asset Loan** - means any arrangement or agreement which extends credit in Digital Assets to its Client.
 - 2.5. **Providing Liquidity Mining (or Yield Farming) Services** - means managing, investing, or locking Clients' Digital Assets in decentralised finance and blockchain products, services and arrangements to earn rewards and distributing portion of rewards to Clients.
 - 2.6. **Providing Digital Asset Margin Trading Services** - means the financing made by a FinTech Lab Participant of a proportion or multiple of the market value of the Digital Assets financed on margin and secured as a Collateral by the Digital Assets or any other Collateral.
 - 2.7. **Providing Staking Services** - means locking of Clients' Digital Assets in a blockchain(s) to earn rewards from validating transactions on that blockchain(s) and distributing portion of rewards to Clients.

CHAPTER C. DIGITAL ASSET PRODUCTS AND SERVICES

3. Operating a Peer-to-peer ("P2P") trading platform

- 3.1. According to the Chapter B of this Approach Operating a Peer-to-peer trading platform ("P2P services") is defined as:

"Operating a Peer-to-peer ("P2P") trading platform - means operating a platform that brings together multiple parties that allows buying, selling of Digital Assets for a Fiat Currency, where Clients post bid/ask quotes on the platform to trade directly with each other."

- 3.2. P2P services may be provided under the Licence to Operate a Digital Asset Trading Facility.
- 3.3. Transfer of the Digital Assets when P2P service is provided is enabled by the Operator of Digital Asset Trading Facility via "escrow services" by temporary locking of Clients' Digital Assets on its

facility. Therefore, it is expected that the Operator of Digital Asset Trading Facility will additionally hold a licence to Provide Custody services with Digital Assets.

- 3.4. A FinTech Lab Participant that provides P2P services is expected to impose a time limit on T+1 basis for withdrawals exceeding US\$ 10 000 or equivalent in Digital Assets.
- 3.5. A FinTech Lab Participant that provides P2P services is expected to ensure that Fiat Currency settlement occurs on its bank account. Alternatively, a FinTech Lab Participant that provides P2P services may implement systems and controls that may ensure that verification of the “fiat leg” of transaction by exchange of information with bank(s) where Client has opened a bank account or that issued a payment instrument.
- 3.6. A FinTech Lab Participant that provides P2P services should be able to match identity of its Client to the payment method used for the Fiat Currency settlement.

4. Digital Asset Derivative

- 4.1. According to AIFC Glossary Digital Asset Derivative is defined as:

“Digital Asset Derivative - A Derivative the value of which is determined by reference to:

(a) a Digital Asset; or

(b) an index that includes a Digital Asset.”

- 4.2. A FinTech Lab Participant may operate a facility on which Digital Assets Derivatives are traded under the Licence to Operate a Digital Asset Trading Facility.
- 4.3. For the purpose of this Approach Digital Asset Derivative should include an Option, a Future. Digital Asset Derivative that includes Contract for Differences should be provided only to the Professional Clients.

5. Providing Digital Asset Margin Trading Services

- 5.1. According to Chapter B of this Approach Digital Asset Margin and Providing Digital Asset Margin Trading Services are defined as:

“Digital Asset Margin - means the pre-agreed amount a Client is required to pay (or deposit as a Collateral) to open and maintain a position relating to a Digital Asset Derivative.”

“Providing Digital Asset Margin Trading Services - means the financing made by a FinTech Lab Participant of a proportion or multiple of the market value of the Digital Assets financed on margin and secured as Collateral by the Digital Assets or any other Collateral.”

- 5.2. A FinTech Lab Participant may provide Digital Asset Margin Trading Services to Clients under the Licence to Operate a Digital Asset Trading Facility.
- 5.3. FinTech Lab Participants should at all times ensure that they have sufficient Digital Assets to provide Digital Asset Margin Trading Services and can satisfy Client obligations.
- 5.4. AFSA may approve an application for Providing Digital Asset Margin Trading Services, given that the FinTech Lab Participant can demonstrate, to the AFSA’s satisfaction, compliance with the following requirements:

- a) the FinTech Lab Participant has submitted for AFSA's approval details of the terms and conditions upon which it proposes to offer Digital Asset Margin Trading Services to Clients, including a copy of the template margin trading agreement to be used by the FinTech Lab Participant, together with information relating to the FinTech Lab Participant's financial condition;
- b) the Fintech Lab Participant is required to undertake preventative measures to ensure that its Client shall not owe to the FinTech Lab Participant;
- c) the FinTech Lab Participant should establish and should be able to demonstrate to AFSA upon request, appropriate policies and procedures as well as systems and controls with regards to Digital Asset Margin Trading Services, which should include but not be limited to:
 - i. the Digital Asset Margin which may be called, the applicable Digital Asset Margin rates and the method of calculating the Digital Asset Margin;
 - ii. the acceptable methods of Digital Asset Margin payment and forms of Collateral;
 - iii. the circumstances under which a Client may be required to provide Digital Asset Margin and additional Digital Asset Margin, and the consequences of a failure to meet a Digital Asset Margin call, including the actions which the FinTech Lab Participant may be entitled to take; and
 - iv. applicable escalation procedures where a Client fails to meet Digital Asset Margin calls
- d) the FinTech Lab Participant should be able to demonstrate to AFSA upon request, that Digital Assets collected as Collateral for initial Digital Asset Margin and maintenance Digital Asset Margin purposes are liquid and can be liquidated within a reasonable timeframe.

- 5.5. Notwithstanding having an approval from the AFSA for offering and provision of Digital Asset Margin Trading Services, AFSA should have the power to direct FinTech Lab Participant to take any of the following actions, at its sole and absolute discretion from time to time, and Fintech Lab Participants should comply with such directions:
- a) suspend Digital Asset Margin Trading Services for specified Digital Assets or Clients, including cases when intervention needed to prevent Client losses; and,
 - b) increase initial Digital Asset Margin and/or maintenance Digital Asset Margin requirements.

6. **"Over-the-counter trading" (or "OTC trading")**

- 6.1. A FinTech Lab Participant may provide "Over-the-counter trading" (or "OTC services") service under the Dealing in Investments as Agent or as Principal Licences.
- 6.2. This modification allows DASPs to offer or provide "Over-the-counter trading" or broker-dealer services to Clients with Digital Assets.
- 6.3. An Operator of Digital Asset Trading Facility permitted to conduct OTC trading by AFSA holding a licence of Dealing in Investments as Agent is not allowed to conduct transaction in the capacity of broker using Digital Asset Trading Facilities order book.
- 6.4. DASP authorised to carry out Dealing in Investments as Agent and as Principal service should comply with relevant conduct of business (e.g. best execution), financial promotion and other applicable requirements of AIFC Rules and regulations applicable to a Fintech Lab Participant authorised to provide service of Dealing in Investment as Agent and as Principal.

- 6.5. A Fintech Lab Participants that intends to provide OTC services with Digital Assets under the full regulatory regime should follow an applicable regulatory material which may be published by the AFSA separately.

7. Non-fungible token (“NFT”) and related activities

- 7.1. According to AIFC Glossary Non-fungible token (“NFT”) is defined as:

*“Non-Fungible Token (“NFT”) - an Investment which:
(a) is unique and not fungible with any other Non-Fungible Token;
(b) related to an identified asset; and
(c) is used to prove the ownership or provenance of the asset.”*

- 7.2. NFT is a type of unique Token that relates to an identified asset (e.g., art, a collectible, other object of intellectual property) and is used to demonstrate the ownership or provenance of that asset. While these types of Tokens can be traded in various marketplaces, and be accumulated speculatively, they are not readily interchangeable and the relative value of one NFT to another, each being unique, cannot be ascertained by means of comparison to an existing market or equivalent assets.
- 7.3. NFT related activities industry is developing fast, it requires imposing limited measures (see sections below) by AFSA to ensure safe innovation due to certain risks, such as money laundering and terrorist financing.
- 7.4. All NFT-related activities are captured for KYC and AML/CTF requirements, and in general, subject to AIFC AML Rules.
- 7.5. FinTech Lab Participants that conduct NFT activities should submit monthly reports on trading volumes of NFT-related transactions as per terms and conditions of AIFC Rules and regulations and provide other information as per AFSA’s request.
- 7.6. A Digital Asset Trading Facility Operator which is a FinTech Lab Participant should before admitting any NFT to trading be satisfied that the requirements under its Admission to Trading Rules, have been or will be fully complied with in respect of such NFT (collection of NFT’s) ensure that NFTs do not have features of Digital Assets.
- 7.7. FinTech Lab Participants that conduct NFT activities should notify the AFSA 10 days prior to the date of the admission of the NFTs to trading.

8. Managing Digital Asset

- 8.1. According to Chapter B of this Approach Managing Digital Asset service is defined as:

“Managing Digital Asset - means managing Clients’ Digital Assets for the purposes of investing them and distributing portion of the profit from investments to Clients.”

- 8.2. A FinTech Lab Participant may manage Digital Assets under Managing Investments Licence.
- 8.3. Digital Assets held by FinTech Lab Participant are not depository liabilities or assets of the FinTech Lab Participant and should be managed on trust.

- 8.4. A FinTech Lab Participant Managing Digital Assets should prominently disclose on its website (including on the relevant section of the service) and should include in its client agreement that:
- a) Digital Assets accepted by FinTech Lab Participant are not guaranteed by Government of Kazakhstan or any other government entity of Kazakhstan, by Astana International Financial Center and by Astana Financial Services Authority.
 - b) a statement as to the ability of clients to have access to and withdraw their Digital Assets, particularly in times of extreme volatility;
 - c) a statement explaining that Clients' Digital Assets managed by the FinTech Lab Participants in the course of the provision of Managing Digital Assets services may be at risk, including the types and nature of such risks, and a statement on the likelihood and severity of any losses which may be suffered.
- 8.5. A FinTech Lab Participant that provides Managing Digital Asset service should ensure compliance with conduct of business, financial promotion and other applicable requirements of AIFC Rules and regulations.

9. Providing a Digital Asset Loan

- 9.1. According to Chapter B of this Approach Providing a Digital Asset Loan is defined as:

«Providing a Digital Asset Loan – means any arrangement or agreement which extends credit in Digital Assets to its Client»

- 9.2. Providing a Digital Asset Loan may be provided under Managing Investments Licence.
- 9.3. Providing a Digital Asset Loan may include facilitating collateralised lending of Digital Assets only.
- 9.4. Liquidity. FinTech Lab Participants providing Digital Asset Loans should at all times, ensure that sufficient Collateral has been posted by borrowers in accordance with agreed amounts, and that both are monitored and audited on a regular basis.
- 9.5. Risk management. FinTech Lab Participants should ensure that liquidity, credit and market risks are each monitored and tested regularly, and appropriate measures should be put in place to address any such risk in a prompt manner. FinTech Lab Participants should ensure that, to the extent that Digital Asset Collateral, is held by them, such Collateral is adequate and appropriately protects the FinTech Lab Participant against applicable risks. FinTech Lab Participants should monitor any such risk and record the assessment of such risk regularly and on an ongoing basis. FinTech Lab Participants should put appropriate measures in place as required to address any such risk in a prompt manner.

10. Providing Liquidity Mining (or Yield Farming) Services

- 10.1. According to AFSA's Approach on Digital Asset products and services Providing Liquidity Mining (or Yield Farming) Service is defined as:

“Providing Liquidity Mining (or Yield Farming) Services - means managing, investing and/or locking Clients’ Digital Assets in decentralised finance and blockchain products, services and arrangements to earn rewards and distributing portion of rewards to Clients.”

- 10.2. Providing Liquidity Mining (or Yield Farming) Services may be provided under Managing Investments Licence subject to AFSA’s Approach on Digital Asset products and services.
- 10.3. Digital Assets held by FinTech Lab Participant are not depository liabilities or assets of the FinTech Lab Participant and should be managed on trust.

11. Providing Staking Services

- 11.1. According to Chapter B of this Approach Providing Staking Services is defined as:

“Providing Staking Services – means locking of Clients’ Digital Assets in a blockchain(s) to earn rewards from validating transactions on that blockchain(s) and distributing portion of rewards to Clients.”

- 11.2. Providing Staking Services may be provided under Managing Investments Licence.
- 11.3. Digital Assets held by FinTech Lab Participant are not depository liabilities or assets of the FinTech Lab Participant and should be managed on trust.
- 11.4. FinTech Lab Participants should ensure before making investments that the blockchains used for staking purposes are secure and safe.

12. Blockchain project launch platform services

- 12.1. Advising in launching of the blockchain product and in raising of funds for Digital Asset products and services should be subject to obtaining Advising in Investments Licence.
- 12.2. A FinTech Lab Participant that Advising in launching of the blockchain product and in raising of funds should ensure compliance with conduct of business, financial promotion and other applicable requirements of AIFC Rules and regulations.

13. Management of Mining Pool Services

- 13.1. Providing management of mining pool services, including facilitating mining of new Digital Assets remains outside AFSA regulatory oversight.
- 13.2. FinTech Lab Participants providing management of mining pool services should ensure compliance with national Digital Asset mining legislation of the Republic of Kazakhstan or of other jurisdiction of its operation.

14. Gift cards

- 14.1. A gift card is an instrument issued by the FinTech Lab Participant for Clients, that can be transferred to other Clients only, and that gives rights to the recipient/holder of gift card rights to claim Digital Assets.
- 14.2. Issuance and transferring gift cards by FinTech Lab Participants are outside of AFSA's regulatory perimeter.
- 14.3. All gift card related activities should be captured for KYC and AML/CTF purposes, and subject to AIFC AML Rules.

CHAPTER C. OTHER REQUIREMENTS, BOUNDARY CONDITIONS AND RESTRICTIONS

15. Miscellaneous

- 15.1. FinTech Lab Participants should inform AFSA well in advance before they start providing services that are outside of the AFSA's regulatory perimeter (gift card, management of mining pool services and others under this Approach) according to 4.2.11. AIFC GEN Rules.

Artificial Intelligence

- 15.2. If a FinTech Lab Participant uses tools/software that enables automated provision of Digital Asset products and services in Chapter C of this Approach, including by use of artificial intelligence ("AI") technology tools/software, it should appoint an independent third-party to assess at least on annual basis that the artificial intelligence technology/software used by them complies with AIFC Rules and Regulations.
- 15.3. While there is no consensus on a single definition of AI, it is generally accepted that AI is the simulation of human intelligence by machines, including the use of computer systems, which have the ability to perform tasks that demonstrate learning, decision-making, problem solving, and other tasks which previously required human intelligence. Machine learning is a sub-branch of AI. AI, a branch of computer science, is complex and evolving in terms of its precise definition. It is broadly seen as part of a spectrum of computational and mathematical methodologies that include innovative data analytics and data modelling techniques.

Decentralised Finance

- 15.4. Decentralised finance (or "DeFi") is a new way of delivering financial services through automated software protocols (or "DeFi protocols"). Instead of engaging an intermediary financial institution, DeFi uses distributed ledger technology ("DLT") to enable users to access financial services directly, by interacting with smart contracts on the blockchain.
- 15.5. DeFi protocol – a distributed application running on a public blockchain that automates the provision of financial services. Most DeFi protocols are smart contracts on a public blockchains.

16. Boundary conditions (testing limits)

- 16.1. The Digital Asset products and services should be provided to Clients of FinTech Lab Participants subject to limits and boundary conditions under AIFC Rules and regulations, Licence Notice and other applicable documents.

- 16.2. FinTech Lab Participants that offer or provide Digital Asset products and services (all services provided under this Approach including spot trading) should maintain effective systems and controls to ensure that a Retail Client using its service does not invest or deposit (for residents of Kazakhstan), in respect of such services and products in aggregate calculated over a period of one month, an amount of USD 1,000.