

Hub for Islamic banking

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KAIRAT KELIMBETOV is the Governor of the National Bank of Kazakhstan. Prior to his current position, Mr Kelimbetov served as Kazakhstan's Deputy Prime Minister and Minister of Economic Development and Trade. He has also served as CEO of Samruk-Kazyna, Minister of Economy and Budget Planning and Chairman of the Agency for Strategic Planning of Kazakhstan. He is a graduate of Moscow State University and has completed the Pew Economic Freedom Fellows Program at the Edmund A. Walsh School of Foreign Service in Georgetown University.

In May this year Kazakhstan will become the first CIS country to host the annual Summit of the Islamic Financial Services Board (IFSB) in Almaty. The summit provides a platform for key players in the Islamic financial industry to discuss issues such as current developments in global Islamic finance, regulation of Islamic financial institutions, regional and global co-operation to ensure financial stability as well as prospects and plans for developing this industry.

Kazakhstan is the leader in the CIS and Central Asia in incorporating Islamic finance principles into its domestic legal framework. The country has a range of Islamic financial institutions providing Islamic banking, insurance and leasing services. Considering Kazakhstan's active participation in the activities of international Islamic organizations, we expect our role in the development of Islamic finance to continue increasing.

An interest in Islamic finance has been a constant feature in Kazakhstan's modern history. Even before the proclamation of independence on January 1, 1991, the President of Kazakhstan signed a Decree to create the international bank 'Al Baraka Kazakhstan' to process international transactions and attract foreign investment. 1997 saw the Islamic Development Bank open its regional office in Almaty. In time, international markets for Islamic finance began accepting Kazakhstan's banks.

Kazakhstan has become the first state in the CIS to introduce laws and regulations on Islamic finance. The 2009 Act on Islamic Finance established regulations for the creation of Islamic banks and issuing Islamic securities. This law also applied to state-owned holding

companies such as the Sovereign Wealth Fund 'Samruk-Kazyna', 'KazAgro' and their 100% owned subsidiaries.

The idea of developing Almaty as a regional financial hub was first raised in 1995 during the course of a meeting of the Association of Kazakhstan's Banks with the President of Kazakhstan. In early 2010, the head of state delivered the Address which formulated the goal to create a regional hub for Islamic banking in Almaty by the year 2020. The Government of Kazakhstan has approved the Road Map for Islamic Finance Development to achieve this goal. Today, the Regional Financial Centre of Almaty City (RFCA) works to improve Kazakhstan's financial services market.

Significant progress has been made. In March 2014, Almaty was included in the Global Financial Centers Index (GFCI) official rating for the first time, coming in at 58th place among 83 international financial centers. The RFCA was ranked 13th in Asia, ahead of such financial centers as Manila, Jakarta, Mumbai, Moscow and Dublin.

By September 2014, Almaty had significantly improved its position, rising 15 places to 43rd among 83 international financial centers. In the region covering Eastern Europe and Central Asia, Almaty ranks second after Istanbul and ahead of Prague, Warsaw, Saint Petersburg, Budapest, Moscow, Tallinn, and Athens.

Today, the National Bank of Kazakhstan and other governmental bodies and agencies are working to establish a legal framework to develop Islamic financial infrastructure. This will involve human capital investment, as well as education and promoting public knowledge about the fundamentals of Islamic finance. For example we are inviting experts in Islamic finance from the Middle East and South-East Asia to Kazakhstan. The National Bank also actively studies the expertise of other countries in this field with a view to amend Kazakhstan's laws and regulations according to international best practice. We expect a law amending legal framework concerning Islamic finance to pass in the near future.

In order to achieve the goal of making Almaty one of the ten leading financial centers in Asia by 2020, the National Bank of Kazakhstan, together with relevant bodies and agencies, drafted a policy document outlining the development of the RFCA. In December 2014 this draft policy document was submitted to the Government for consideration.



Astana: the future hub for Islamic banking