

KAZAKHSTAN STOCK EXCHANGE INC

PRESS RELEASE

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The Council of IAE of CIS Discussed the Experience of Exchanges Interaction with National and Central Banks in the Conditions of External Financial Crises

The meetings of the Council of International Association of the Exchanges of CIS countries (IAE of CIS or the Association) were held during the period **from March 3 to 5, 2008 in Almaty**, the following persons took part wherein:

- The Executive Manager of Baku Interbank Currency Exchange F. Amirbekov,
- The President of Kazakhstan Stock Exchange (KASE) A. Joldasbekov,
- The President of Stock Exchange PFTS (Ukraine) I. Zarya,
- The President of Moscow Interbank Currency Exchange (MICEX) A. Potemkin,
- The Chairman of the Management Board of Uzbek Republican Commodity and Raw materials Exchange T. Tokhtabaev,
- The Chairman of the Management Board of Byelorussian Currency and Stock Exchange P. Tsekhanovich.

The CEOs of the Exchanges discussed the condition and prospects of development of the national financial markets of CIS countries, set up a Committee on technical policy of the Association.

Discussing opportunities of interaction with national and central banks for purposes of markets development in the conditions of mounting tensions on global financial markets has become one of the main topics. The participants of the meetings made a pointed reference that exchanges actively introduce new financial instruments, assisting national (central) banks in the conduct of effective monetary policy. In return, national (central) banks, for these purposes, actively use both recently proposed and existing exchange instruments.

The mortgage crediting crisis in the USA and in a number of western countries, in the opinion of the meetings participants, appeared to be the strength test of national financial systems of the CIS countries, especially when the banks and companies debt obligations refinancing difficulties arise or the outflow of funds of non-residents is observed. As was pointed out by the head of MICEX Alexander Potemkin, "this test, so far, we can stand – in the CIS countries we managed to maintain the stability of banking systems and sound standing of financial markets even in the conditions of exacerbation of the situation on debt and stock markets of developed countries".

Particularly, in recent years, repo transactions in securities market instruments and swap transactions in "dollar-rouble" and "euro-rouble" instruments spread widely on MICEX, which allows the Bank of Russia for direct or indirect provision of regulation of financial and banking system liquidity. The National Bank of Kazakhstan has since long and successfully used opportunities of local exchange market for the conduct of its monetary policy. During the hardest crisis months the Bank actively redeemed its debt obligations on KASE, providing thereby additional liquidity to the banking sector, and also used the exchange repo market for these purposes.

Having studied the views of each other, the members of the Council of IAC of CIS concluded that active use of the financial instruments, circulating on the Exchanges, may contribute and does so to overcoming the problems of the global financial market shocking influence on the banking systems of the CIS countries.

At the meetings of the Council of IAE of CIS, the CEOs of the Exchanges considered the tendencies and processes of forming exchange infrastructure within the CIS. On the whole, it was pointed out

that the CIS exchange markets are developing actively. For instance, in 2007 in the CIS countries, the volume of the exchange deals, organized by the participants of IAE of CIS, totaled to the equivalent of 3.1 trillion US dollars, which 1.8 times exceeds the figures of the previous year.

The participants pointed out that the efforts on integration of financial markets are being made within CIS. Thus, the first meeting of the working experts group on unification of the legislation of the CIS countries is planned for March 20-21, 2008 in Tashkent. Within the framework of the meeting, it is expected to analyze the legislation of Russia, Ukraine, Kazakhstan, Byelorussia and Uzbekistan on operation of the securities market (the laws on the securities market and the stock market, on joint-stock companies).

At the meeting of the Council, the Regulations on the IAE of CIS Committee for technical policy were approved, the decision on establishment of which was made on August 3, 2007 at the General meeting of members of the Association in Rostov-on-Don. This document sets forth the order of operation of the Committee for technical policy, and also defines its tasks in respect of the issues of informational technology development, which are becoming particularly actual in connection with the necessity of regular updating and enhancement of the electronic trading systems, used by the exchanges – the Association members, in the conditions of rapid growth of exchange turnovers in the CIS countries. The composition of the Committee was also made by the Council of IAE of CIS.

In addition, the Council of the Association made a decision to hold a regular General meeting of the members of IAE of CIS in the city of Minsk (Republic of Byelorussia) during the period of June 7 to 10, 2008 and approved a new model of the IAE of CIS web-site.

Note

International Association of Exchanges of CIS countries, +7 (495) 202-9739, www.mab-sng.org was founded in Moscow in 2000 for the purpose of coordination of efforts on development of organized financial markets in compliance with international standards. IAE of CIS comprise 18 exchanges and 3 depositories from 9 countries of the Commonwealth, playing the key role in servicing of mutual financial turnover, transactions in currency, government securities, shares of enterprises.