



**NATIONAL BANK OF KAZAKHSTAN**

## **PUBLIC INFORMATION NOTICE**

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### **On the national and supranational EEU countries' integration effects**

The integration process is accompanied by the effects that can have a positive impact on the region as a whole and on the local markets of the EEU individually.

The Governor of the National Bank noted that the integration should include the new technologies, investments, competitiveness and, most importantly, the inclusion, accessibility, and easiness in acquiring the financial services for businesses and population. "As a result, this should lead to savings' increase, to growth of opportunities for investments, and to an increased quality of the financial services", said the Governor of the National Bank D. Akishev at the roundtable discussion of "The unified financial market of EEU: development parameters" at XXVII International financial congress in Saint-Petersburg.

The Governor emphasized that these processes are interconnected. It is expected that active infiltration of financial technologies will secure cost savings of financial institutions, stimulate the further depreciation of financial services and increase their accessibility for consumers.

Moreover, the expansion of financial markets will have a synergic effect and result in growing demand and supply on the juridical, audit, accounting, and IT services. All combined, this will increase a demand for the qualified workforce that will require competitiveness and a program expansion in the field of education.

The global effect of formation of the general financial market can be seen in the emerging effective and competitive market that serves as a bridge between Europe and Asia. A favorable geographical location is beneficial for investment inflows to the general financial market of EEU from the Western and the Eastern countries.

### **About the key directions of the EEU financial market formation**

D. Akishev spoke about the key directions of the EEU financial market formation at the roundtable discussion of "The unified financial market of EEU: development parameters" at XXVII International financial congress in Saint-Petersburg.

He emphasized the fact that general financial market cannot function on its own in an isolated and static condition. "First of all, it is built on the economic base – the active external economic integration of the trade markets and technologies. Secondly, it serves a facilitative function, therefore it has to be effective in terms of satisfying the needs of population and businesses, providing financial stability and competitiveness, and protecting the financial consumers' rights", reported D. Akishev.

D. Akishev emphasized that an unambiguous set of criteria that characterizes the general financial market of EEU does not exist yet, however the key directions for its formation are already determined. The procedures and the conditions for reciprocal access on the financial markets should be simplified. With that, the restrictions on number and quality for the mutual

participation will be canceled. As a result, this will provide for the equal competitive advantages for the countries at the EEU financial market.

Moreover, the financial freedom in terms of access to the local markets should not be characterized as a vulnerability factor of the financial system. In this context, the main requirement for the effectiveness of the general financial market is the maintenance of financial stability, i.e. the cross-border provision of financial services should be carried out by the trustworthy and stable financial institutions that can deliver a full specter of financial services and have a sufficient amount of capital, reserves and liquidity to meet their obligations.

### **The integration of financial markets should have a high impact in the EEU region**

At the moment, a supranational's authority functions and power are under discussion. According to D. Akishev, the national financial markets of EEU are susceptible to globalization challenges.

In the past few years, the new standards like Basel III and Solvency II have been implemented. The majority of national regulators have started implementing them, however there is no synchronicity or convergence in their approach. Therefore the unified minimum standards of prudential requirements should operate on the general financial market. This requirement will provide for the opportunities for cross-border activities at the financial markets of EEU.

The functioning of the general financial market will require a closer collaboration between the financial regulators to gain a mutual access to the oversight information. The first significant step – the Agreement on information exchange – has already been taken. The Agreement includes confidential information exchange in the financial field to provide for the free flow of capital. Moreover, it allows the information exchange to carry out the effective oversight practice between the regulators of the EEU countries.

Nowadays, the oversight procedures both from the regulator foreign country's parent company and subsidiary company sides are different and not harmonized, especially in terms of consolidated supervision. That is another potential task of a supranational authority.

The stock markets of CIS countries are ready for the interpenetration as the stock integration allows admission on liberal conditions without having to carry out the regulatory alignment. In fact, the pilot projects on the reciprocal admission of brokers and dealers, placement and circulation of securities at the stock markets of EEU countries are being agreed at the institutional level.

If a correct approach is used, the integration of financial markets of the EEU countries will have a high impact. Therefore, the global aim is to increase competitiveness and provide for the full participation of the EEU financial market in the international financial relations rather than creating another legal regulation field. Nonetheless, the formation and development of the general financial market of EEU implies competition between the local EEU markets.

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