

## **Bourses vie for tie-up with Kazakh exchange**

**By Jeremy Grant in London**

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The London Stock Exchange and Russia's two main exchanges are vying to secure a strategic partnership with the Kazakhstan Stock Exchange as the bourse becomes the latest play on the central Asian country's huge natural resources.

The manoeuvring comes as the Kazakh exchange is preparing for the launch of a "people's IPO" scheme designed to persuade Kazakh citizens to invest in a wave of big privatisations and revive dwindling activity on the exchange.

The Kazakh exchange has suffered as the biggest companies have sought listings in London. The Kazakh stock index has fallen by 34.5 per cent this year, making it one of the worst performers. The value of the stocks listed on the bourse is \$44.6bn.

Kadyrzhan Damitov, the exchange's chief executive, said that as part of a two-year "development strategy" the bourse would modernise its trading system and introduce an obligation for companies wanting to list that they sell at least 20 per cent of their shares on the Kazakh exchange before going for a foreign listing.

As part of that the LSE and the two main Russian exchanges – Micex and RTS – had submitted proposals for the provision of trading systems and other collaboration.

"We have some proposals from the LSE and Russian exchanges, as well as other companies," Mr Damitov told the Financial Times. He added that after a recent visit to London by Kazakh officials, the LSE had suggested a wider partnership which was "at a very preliminary stage".

In a recent interview Xavier Rolet, LSE chief, said: "There are early stage discussions with a number of exchanges as there are certainly interesting opportunities out there."

For the LSE any deal with the Kazakh exchange would mirror a similar move earlier this year when it agreed a strategic partnership with the Mongolian Stock Exchange under which the LSE will take over its management and oversee its development and privatisation under a two-year contract.

Mr Damitov indicated that each offer presented its own difficulties, suggesting that a decision – in which the central bank would have a key role as largest shareholder in the Kazakh exchange – was finely balanced.

"Using products or trading systems from foreign exchanges is a very difficult and complex issue from a technical and legal point of view. This choice is not just [about] buying something on a commercial basis, it's very important from a regulatory, political and strategic point of view," he said.

"If we are talking about the LSE proposal some technical matters have to be clarified and some legal issues are also very important. It's not an easy task, even without some political and strategic issues."

Mr Damitov added that while Micex/RTS was "a logical choice" given geographical and linguistic similarities, "taking into consideration the size of the Russian economy some other aspects have to be discussed", making it "a sensitive political and strategic issue".