



THE CURRENT STATE OF FORMATION OF FINANCIAL CENTERS IN THE COUNTRIES OF CENTRAL ASIA (ON THE EXAMPLE OF THE FINANCIAL CENTER OF THE CITY OF ASTANA)

Akhmadalieva Nikholakhon,
Tashkent Financial Institute

Article history:	Abstract:
Received: August 8 th 2021 Accepted: September 8 th 2021 Published: October 6 th 2021	The article analyzes the current position of international financial centers (IFC) in Central Asia as one of the essential institutions and factors for financial globalization. Risks of functioning of IFC, their classifications and meaning. The article also highlights current position of the International Financial Center Astana, its role in improving country's financial and economic potential and its global competitiveness.
Keywords: International financial centers, monetary obligation, currency regulation, central authority, Astana Financial Services Department, Central Court, International Arbitration, Center, Global Financial Centres Index.	

INTRODUCTION.

In recent years, the financial sector has been radically changing. The transnational nature of globalization and financial services is becoming more and more, emerging markets are beginning to manifest themselves as one of the most dynamic and profitable places. Highlighting the increasing importance of open and competitive markets, new developments are being made to finance the market, expand financial innovation and sustainable financing opportunities. Together, this creates new opportunities for financial needs to achieve economic growth. International financial centers at the center of these developments, there are many opportunities for growth in global trade and finance and for regional development in a changing order.

Many countries are interested in creating their own MFCs, as these centers are involved in the creation and redistribution of global financial income, contribute to a significant inflow of capital into the country, bring significant income in the form of taxes, including on the income of highly paid employees, and ensure employment growth. The MFC also affects the state of the currency of the host country and allows it to accumulate significant income on the balance of payments items.

In modern conditions, the share of the fifteen largest financial centers accounts for about 11% of the world's wealth, or 24.0 trillion US dollars [1]. Their economic superiority is based on the strength of the financial sector. The volume economy in MFC, such as Tokyo (1.6 trillion dollars.USA), New York (1.5 trillion dollars.USA), Seoul (903 billion.USA), London (831 billion.USA) and Paris (819 billion.USA), comparable to the GDP of a number of developed countries: Canada (1.6 trillion dollars.USA), Australia (1.1 trillion us dollars.USA), the Netherlands (840 billion.USA), Malaysia (817 billion.USA) and Switzerland (518

billion.USA)[2]. Competitive financial centers give economic entities advantages in information, knowledge, and access to capital. External and internal investment opportunities contribute to the growth of national wealth and the well-being of citizens, and have a beneficial effect on various aspects of business. In particular, one of the leading MFC's currently – London – generates 39% of total foreign direct investment[3], 23% of gross value added[4] and 17% of all employed in the country [5].

International financial centers provide investment infrastructure and the resources needed to drive entrepreneurship and economic growth across industries and communities. They receive news in the field of Finance in order to analyze international financial centers, the index of international financial centers in 2021 is analyzed. He also came to conclusions based on the scope and results of the activities of the current financial centers. According to the Global financial centers index (GFCI), with the addition of Barbados, San Diego, Tehran and Vilnius, the number of financial centers in the main index increased from 104th to 108th¹.

METHODOLOGY

The theoretical significance of the study consists in the development of scientific and methodological provisions that complement modern approaches to assessing the activities of the MFC. The main results and conclusions of the article expand the scientific understanding of the concept and classification of MFC and contribute to the development of the methodology for assessing the current state of formation of financial

¹ The Global Financial Centres Index 27 / Z/Yen Group. – London: Z/Yen Group, May 2020.



centers in the countries of Central Asia in the modern economy.

DISCUSSION

The International Financial Center Astana (IFCA) started work on the eve of the 20th anniversary of the city of Astana. Almaty-Kazakhstan was intended to turn its capital Astana into one of the most important financial centers in the region, which would allow foreign investors to safely invest their funds. The former president of the country Nursultan Nazarbayev attended the opening ceremony and delivered a speech. The head of Kazakhstan noted that the opening of the financial center is an important step in the sustainable development of the economy, which embodied the best practices of the activities of the World Trade areas: "I express my gratitude to all the partners here for participating in our project and actively supporting it," Nazarbayev said at the event. "I hope that our mutually beneficial cooperation will only increase. Astana is the main financial center of the region and in the future it is necessary to become the leading financial center of Asia."

The tasks of the center include:

- Attracting investments in the economy of the Republic of Kazakhstan by creating favorable conditions for investment in financial services;
- development of the securities market, which will ensure the integration of the Republic of Kazakhstan with the International Capital Markets;
- development of the market of Insurance, Banking, Islamic finance, financial technologies, e-commerce and innovative projects in the Republic of Kazakhstan;
- develop financial and professional services based on best international experience;
- it becomes an internationally recognized financial center.

The activity of the center is based on the following principles:

- 1) effective operation of the Center;
- 2) transparency of the activities of the Center and its participants;
- 3) conscience of the participants of the Center;
- 4) professional provision of financial services by the participants of the Center;
- 5) use of international standards and advanced international experience in its activities by the participants of the Center.

The activities carried out on the territory of the center and its participants are as follows:

- requirements for legal entities and procedure for accreditation of participants of the Center, types of

activities allowed in the territory of the Center, licensing procedure and requirements for participants of the Center, as well as organizational and legal forms of organization and registration of legal entities on the territory of the Center are determined by the documents of the Center;

- identification numbers created for the bodies of the center, their institutions and participants of the Center are recognized and applied equally with identification numbers created in accordance with the laws of the Republic of Kazakhstan;

- the procedure for creating, maintaining and using a register of the center of identification numbers, the procedure for creating identification numbers for the bodies of the center, their institutions and the Center shall be determined by the Management Center.

The procedure for issuance, placement, circulation, purchase and purchase of securities on the territory of the center is determined by the Astana Financial Services Department. Placement and (or) circulation the procedure for issuance, placement, circulation, purchase and purchase of other financial instruments, which are carried out on the stock exchange, is determined by the stock exchange.

The bodies of the center are entitled to receive documents regulating the issues arising between the participants of the Center and the bodies of the Center and (or) their employees:

- Civil Relations;
- civil procedural relations;
- financial relations;
- administrative procedures.

Monetary obligations of the participants of the center and the regulation of the currency are as follows:

1. Monetary obligations of the participants of the center are expressed and fulfilled in the currency provided for in the contract.

2. Monetary obligations of participants in trading on the exchanges are expressed and executed in currencies established by the rules of the stock exchange.

3. The terms and procedure for foreign exchange transactions related to the provision of financial and professional services on the territory of the center are determined by the documents of the Center in agreement with the National Bank of the Republic of Kazakhstan.

4. The currency regulation regimes established by the law of the Republic of Kazakhstan "on currency regulation and currency control" are not subject to



foreign exchange transactions carried out by the participants of the center of its participants.

5. With the approval of the National Bank of the Republic of Kazakhstan with the documents of the center, the requirements for providing the participants of the center with information on the procedure of transactions and information exchange between the bodies of the center and the National bank are established. The tax regime in the territory of the center is determined by the code of the Republic of Kazakhstan "on taxes and other mandatory payments to the budget" (tax code). In addition, until 1 January 2066, taking into account the conditions set out in the acts of the center, it will be exempt from corporate income tax. The following are exempt from corporate income tax for income derived from the provision of financial services:

- Islamic Bank banking services;
- reinsurance and insurance intermediary services;
- provide services for the management of investment assets for investment funds, their accounting and storage, as well as the issuance, placement, circulation, acquisition and purchase of securities of investment funds;
- brokerage and (or) dealer, underwriting services;
- other financial services defined by the center;
- they are exempt from corporate income tax for income received from legal, auditing, accounting, consulting services.

The visa regime in the Center for foreigners and stateless persons is distinguished by the following aspects. Foreigners and stateless persons arriving in the Republic of Kazakhstan to carry out their activities in the center will receive an entry visa at the foreign agencies of the Republic of Kazakhstan or upon arrival at the International Airports of the Republic of Kazakhstan. Foreigners and stateless persons who are participants of the center or employees of the authorities and their family members receive a visa for validity up to five years. The conditions and procedure for entry and exit of foreigners and stateless persons arriving in the Republic of Kazakhstan to operate at the center can also be established by the central authorities in agreement with the relevant state bodies of the Republic. Citizens of the countries of the organization for Economic Cooperation and development, the United Arab Emirates, Malaysia, the Republic of Singapore and the Principality of Monaco, as well as the countries designated by the Government of the Republic of Kazakhstan, have the right to obtain a visa. In the center, several advantages are created in

attracting foreign labor force, which in turn can become an impetus for the development and development of the center. Participants and bodies of the center have the right to attract foreigners and stateless persons without permission to carry out the activities of the Center. Foreigners and stateless persons attracted by the participants and bodies of the center are exempted from the obligation to obtain permission to work in the Republic of Kazakhstan. The list of documents confirming the high qualification of a foreigner and a stateless person is established by the Astana Financial Services Department. The administration of the center maintains the account of the foreign labor force attracted by the participants and bodies of the Center. The administration of the center provides information on the involved foreigners and stateless persons to the competent authority on migration issues. The content composition, frequency and procedure for submission of information to the migration authority is determined by the General Act of the Competent Authority of the Center and the migration authority. The organs of the center are as follows:

- Center management board as well as center manager;
- Central authority;
- Astana Financial Services Department;
- Central Court;
- International Arbitration Center.

Astana Financial Services Office is a legal entity that regulates financial services and related activities in the Center and has its own budget, built on the account of targeted transfers from the budget of the Republic in accordance with the budget laws of the Republic of Kazakhstan, as well as payments and payments made by the participants of the Center. The targeted transfers received by this body from the budget through the central authority will be used to ensure and finance the activities of this body. Astana financial services department performs the following functions:

- develops projects of acts of the central bodies on the regulation of financial services and related activities in the Center, presents them to the body responsible for public discussion and reception;
- accepts financial services and related activities in the Center as regulatory documents;
- registration, accreditation and licensing of the participants of the Center;
- maintains a Register of participants of the Center;



- carries out and controls control over the participants of the Center and takes appropriate measures;

- has other powers established by the decisions of the Council.

At the disposal of the Center, the center also operates the sudi. Its main task is to protect the rights, freedoms and legitimate interests of the parties, ensuring the implementation of the applicable law of the Center. The center is independent in its activities and is not maintained as part of the judicial system of the Republic of Kazakhstan. The court consists of two Central Judicial instances: the first instance is sued and the appeal is sued:

- develops projects of acts of the central bodies on the regulation of financial services and related activities in the Center, presents them to the body responsible for public discussion and reception;

- accepts financial services and related activities in the Center as regulatory documents;

- registration, accreditation and licensing of the participants of the Center;

- maintains a Register of participants of the Center;

- carries out and controls control over the participants of the Center and takes appropriate measures;

- has other powers established by the decisions of the Council.

At the disposal of the Center, the center also operates the sudi. Its main task is to protect the rights, freedoms and legitimate interests of the parties, ensuring the implementation of the applicable law of the Center. The center is independent in its activities and is not maintained as part of the judicial system of the Republic of Kazakhstan. The court consists of two Central Judicial instances: the first instance is sued and the appeal is sued.

- settlement of disputes arising between the participants of the Center, the bodies of the Center and (or) their foreign employees;

- settlement of disputes related to any operation carried out in the Center and subject to the laws of the Center;

- to resolve disputes sent to the Central Court on the basis of agreement of the parties.

The activities of the courts of the center are regulated by the decision of the Council "About the court of the international financial center of Astana", it was developed on the basis of the printing codes and norms of England and Wales and (or) the standards of the best financial centers of the world. The decision of the Council "About the court of the International

Financial Center Astana" sets out the membership of the court, the procedure for the appointment and dismissal of judicial officials, the qualification requirements for judges and officials of the court and other issues related to the activities of the Central Court. The court of the center is regulated by the current law of the Center, and can also consider the disputes of the central court that have entered into legal force and the decisions of other courts of general jurisdiction. The decisions of the court of appeal of the center are final, non-appealed and binding on all individuals and legal entities.

The international arbitration center-if there is an arbitration agreement between the parties, considers the dispute. The center is organized and operates in accordance with the decision of the Council "About the International Arbitration Center". The decisions of the International Arbitration Center in the Republic of Kazakhstan shall be recognized and enforced in the same order and within the same time period as the recognition and enforcement of arbitration decisions issued by the arbitration courts in the Republic of Kazakhstan. Translation of decisions of the international arbitration center into Kazakh or Russian is carried out in the manner prescribed by the documents of the Centre.

The official language of the center is English, which is used in all spheres of Public Relations, regulated by the Center as a whole. Documents of the center are drawn up and accepted in English. It is allowed to translate the documents of the center into Kazakh or Russian. The official translation of these documents is carried out by the Center. Accounting and statistical, financial, technical and other documents in the center are provided in English. The answers of the bodies of the Center to the letters of individuals and legal entities, including the attached documents, are made in English or in the language of the application, provided that the language of the application is Kazakh or Russian. The judicial proceedings of the center are conducted in English and, at the request of the parties, are translated into Kazakh or Russian. All transactions of the participants of the Center, concluded in writing on the territory of the Center, are described in English, unless otherwise specified in the agreement of the parties.

The center's activities are based on the experience of international financial institutions. The issuance of tax benefits for its members up to fifty years, is envisaged to simplify the system of visa, currency and stationery. In the first year of the Astana International Financial Center, more than 55 companies were registered, this figure was planned to reach 100



units by the end of 2018, and in 2020 by 500 units. The AIFC has already established cooperation with major financial institutions, including the World Bank, the International Monetary Fund, the European bank for reconstruction and development, the Asian Development Bank and others. The center for foreign specialists of the AIFC provided 250 visas for foreign investors to reside in Kazakhstan. The center of foreign specialists provides visa application services in English, provides assistance to employees of foreign companies to find housing for their family members and schools for their children and to register their cars. This practice was introduced into practice on the principle of "single window" of financial centers in Dubai and Abu Dhabi. It is important to note that the existence of a single institution or place that accepts normative documents from international entrepreneurs is natural to arouse interest in foreign investors. Kazakhstan is gaining a good reputation among foreign investors. Because so far no one has tried to "wash" money through Kazakhstan. Also, extremist organizations did not appear. Another proof of the high reputation of the country among foreign partners, the country's banks have not introduced restrictions for sending money when working with foreign customers. Astana International Financial Center in the banking sector of Kazakhstan promotes the opening of branches of foreign banks in the country gives economic advantages. It is natural that such foreign branches perform the task of storing money and securities for the participants of the center. Attracting investments is one of the most important issues of every state, especially developing countries. It is not surprising that the head of State personally controls this issue in Uzbekistan in recent years, and in each region there are separate groups in this regard. The head of the international financial center "Astana" Kayrat Kelimbetov noted that over the past 20 years Kazakhstan has attracted more than 300 billion dollars of investment, which is equal to 70 percent of the total investment in Central Asia. Kazakhstan has achieved such indicators through natural resources. In the world, Natural Resources in Kazakhstan are higher than many states but their results in this regard are modest. It can be said that the simple reasons for the achieved results are really worth studying. The Center for the service of foreigners under the international financial center of Astana has started its activity.

The main task of the center is to attract foreign investments to the country's economy, help them create a favorable environment. In 2017, the International Exhibition "EXPO-2017" was held in Astana. The total value of the framework of the Gulf is

2,1 billion. The buildings that made up the dollars were built, and this amount was completely covered by the Government of Kazakhstan. This event was attended by the president of Uzbekistan among the leaders of many countries. After the successful passage of the Gulf, part of the premises was transferred to the international financial center of Astana by the first president of Kazakhstan. In addition, a number of innovative centers have been established in the region in cooperation with major exchanges such as Astana International Stock Exchange, Shanghai International stock exchange.

In the area where this center is located, English legislation in the field of Finance is applicable. The reason is understandable, traditional for large investors, in most countries of the world recognized English right.

The center serves visiting diplomats, investors and entrepreneurs from abroad. The services are absolutely free, if the guest wants to use the service, which requires a state fee, he pays only that fee. Once investors come in, they will be assisted in all aspects of their adaptation. They will first be offered qualified lawyers and will be given a detailed explanation of local law in their area of interest and advice on who to contact. The center also has a notary, cashier, document translation service, where guests can have all the documents. There are separate computer rooms and uninterrupted Internet access for free.

The center provides assistance not only in business, but also in domestic matters. Let's say an investor needs a house or office to rent - partners are recommended, they study and choose the one that suits them. Or referrals to schooling their children, medical care (especially services that require a special approach for women), car registration, maintenance services, and even pet services. At the same time, it is monitored how the recommended partners serve the guests and how satisfied they are. If poor quality service is provided, unreasonably high prices are offered, they will be removed from the list of partners. Most importantly, the guest chooses the service provider based on the guest's recommendations.

The center is currently working on a new project. The wives of diplomats or investors are planning to find suitable jobs for them so that they can adapt to local conditions.

2018 was a year of change in Kazakhstan because the financial landscape - the Astana Financial Center - has been fully launched. Astana, the international financial center, has undoubtedly opened a new chapter in reform and has been hailed as a modernization of the country's financial sector. Astana



is a young and fast-growing city on the world map. Recognized as a smart city based on modern infrastructure and logistics, Astana has the most favorable conditions for architecture, construction, various housing, educational and healthcare facilities, as well as lifestyle opportunities. In a short 20 years, Astana has already been recognized as a political and cultural center, a new location on the global map as a financial center. For the first time, Astana has been included in the Global Financial Center Index, a measure of the competitiveness of international

financial centers. According to the 23rd edition of the Global Financial Center Index, the Astana Financial Center has been registered as a new participant (Table 1).

The Eastern European and Central Asian Centers in GFCI 23 all centers in this region suffered a fall in their ratings. However, Cyprus, Istanbul and Moscow rose in the ranks. Tallinn and Riga both fell over 30 places in the ranks. Baku was a new entrant to the GFCI. Astana was also a new entrant having only launched their financial center in January 2018.

Table 1
Eastern European and Central Asian Centres in GFCI 23²

Centre	GFCI 23		GFCI 22		Change in	
	Rank	Rating	Rank	Rating	Rank	Rating
Warsaw	45	620	36	664	▼9	▼44
Prague	71	567	58	637	▼13	▼70
Cyprus	72	566	76	619	▲4	▼53
Istanbul	76	562	78	617	▲2	▼55
Tallinn	79	559	44	653	▼35	▼94
Moscow	83	555	89	601	▲6	▼46
Riga	87	551	53	642	▼34	▼91
Astana	88	548	New	New	New	New
Budapest	89	547	72	623	▼17	▼76
St Petersburg	91	531	87	603	▼4	▼72
Athens	92	525	84	611	▼8	▼86
Almaty	94	519	80	615	▼14	▼96
Baku	95	511	New	New	New	New

Astana Financial Center ranks 8th in the Index of Centers for Eastern

Europe and Central Asia. This is seen as a positive development for the newly established center. Among the global financial centers, it ranks 88th with a rating of 548. It is natural that the AIFC, located in the heart of Eurasia, will create unprecedented conditions for participants and a comprehensive legal system for investors based on British law, as well as almost half a century of tax incentives to further improve the position and rating of the center. One Belt, One Road provides a successful opportunity for the AIFC and the Eurasian Economic Union Regional Financial Center.

CONCLUSION.

AIFC is seen as key to improving the country's investment climate, supporting the move to a market economy and encouraging innovation. On a wider front, the goal for the AIFC is that it will quickly become the acknowledged financial gateway for Central Asia as well as provide partners and investors access to the wider Eurasian Economic Union area, the Caucasus and Western China. It is hoped it will play a major role in supporting the ambitions of the Belt and Road Initiative in improving links between Asia and Europe and spreading prosperity across the region as well as strengthening links with the global economy. These are big ambitions in a very competitive area. It is why, in creating the AIFC, great care has been taken to learn the lessons behind successful financial centers including Singapore and Dubai. Understanding the importance of the need for the highest international standards to give investors confidence, the bold decision has been taken that it will operate under the principles and rules of English common law. With the ambition, planning and hard work that has gone into setting up the AIFC means that it is in a prime position to meet the needs of both investors and our region.

LIST OF LITERATURE

1. J. Desjardins. Mapping the richest cities in the world / J. Desjardins // Visual Capitalist from 16.02.2018.-URL: <http://www.visualcapitalist.com/top-15-cities-globally-hold-24-trillion-wealth/16.03.2019>.
2. Florida R. The economic power of cities compared to nations / R. Florida // City Lab of 16.03.2017 - URL:<https://www.citylab.com/life/2017/03/the-economic-power-of-global-cities-compared-to-nations/519294/16.03.2019>.
3. Gregory M., Varley S. Time to act / M. Gregory, S. Varley // Research on the attractiveness of Great Britain EY-May 2017. -

² The Global Financial Centres Index 23 / Z/Yen Group. – London: Z/Yen Group, March 2018



World Bulletin of Management and Law (WBML)
Available Online at: <https://www.scholarexpress.net>
Volume-3, October-2021
ISSN: 2749-3601

URL

ADDRESS:[https://www.ey.com/Publication/vwLUAssets/2017-UK-Attractiveness-Survey/\\$FILE/EY-UK-Attractiveness-Survey2017.pdf](https://www.ey.com/Publication/vwLUAssets/2017-UK-Attractiveness-Survey/$FILE/EY-UK-Attractiveness-Survey2017.pdf): 16.03.2019

4. Regional gross Value Added (Revenue approach): Data for 2017 / /Office for National Statistics
URL:<https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedincomeapproach>: 16.03.2019
5. Rosario D. Update of the London labor market for January 2017 / D. Rosario / / London Data Warehouse. - URL ADDRESS:https://data.london.gov.uk/apps_and_analysis/london-labour-market-update-for-london-january-2017/: 16.03.2019)