

UNDER ASTANA INTERNATIONAL FINANCIAL CENTER (AIFC) LAWS: WORKING AT AIFC IN TERMS OF CORPORATE LAW

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The following article addresses the most frequent questions about establishing a legal presence at the *Astana International Financial Center (AIFC)*.

What form of legal entity is best for conducting business at the AIFC?

The choice of the best form for a legal entity at the AIFC depends on the nature of the proposed company's activities, its structure, the size of its investments, the term for its functioning, and other considerations. There are two types of AIFC legal entities: those registered on the AIFC territory (private company, public company, special purpose company, general partnership, etc.) and recognized AIFC legal entities (branches and representative offices of companies registered or established outside the AIFC).

The most popular form for AIFC legal entities is a private company, of which there are more than 330 registered at AIFC. Given the popularity of this legal form, more information is provided below.

What are the requirements for a private company to register with the AIFC?

The basic requirements for a private company are as follows:

- at least one shareholder, which can be an individual or a legal entity;
- the company's name is immediately followed by "Limited" or the abbreviation "Ltd."- for example, ABC Limited or ABC Ltd.;
- at least one Director, but only an individual;
- its shares cannot be offered on public exchanges;
- a USD 300 registration fee.



The advantages of a private company are as follows:

- Shareholder liability is limited to the amount that remains unpaid on the shares held by the shareholder;
- no requirements on minimum share capital;
- shareholders are allowed to define the number of directors and their competence.

The general rule is that shareholders have equal management rights for a private company. However, they are entitled to define different classes of shares entailing different shareholder rights. The form of a private company is flexible and there are no strict rules with respect to corporate governance, assuming the company does not conduct regulatory activity (financial services, brokerage, banking, and so forth).



What authority registers AIFC legal entities?

The *AIFC Financial Services Authority (AFSA)* registers legal entities as an independent AIFC regulator. AFSA also carries out accreditation and licensing, maintains a register of AIFC participants, monitors and supervises participant activities, and can take measures against them. During registration a private company is assigned a business identification number.

Must the share capital be in Kazakh currency?

AIFC regulation allows for the share capital to be in USD.

Can property be used as part of the share capital?

AIFC regulations allow the incorporators to use property as part of the share capital. In this case, the board of directors of a private company must determine the reasonable cash value and notify AFSA that part of the share capital is non-cash. There is no requirement for a private company's minimum share capital.

Can an AIFC-registered company register a pledge of shares?

There are no restrictions on pledging the shares of an AIFC-registered company, nor to registering this with the AIFC authorities. Registration is conducted by a division of the AIFC exchange.

After registering a company at the AIFC, is the AIFC participant required to have an account at a Kazakh bank or an AIFC-registered bank?

There is no requirement to have an account only with an AIFC-registered bank or a Kazakh bank. However, because the AIFC company is treated as a tax resident of Kazakhstan, it must have a Kazakh bank account for the purpose of tax payments.

Are company audits mandatory? Are there any exceptions?

Within 6 months after the end of the company's financial year, a director of the AIFC participant should prepare and approve accounts for the previous financial year, which will then be examined and subject to an audit report.

The annual audit return should contain the following:

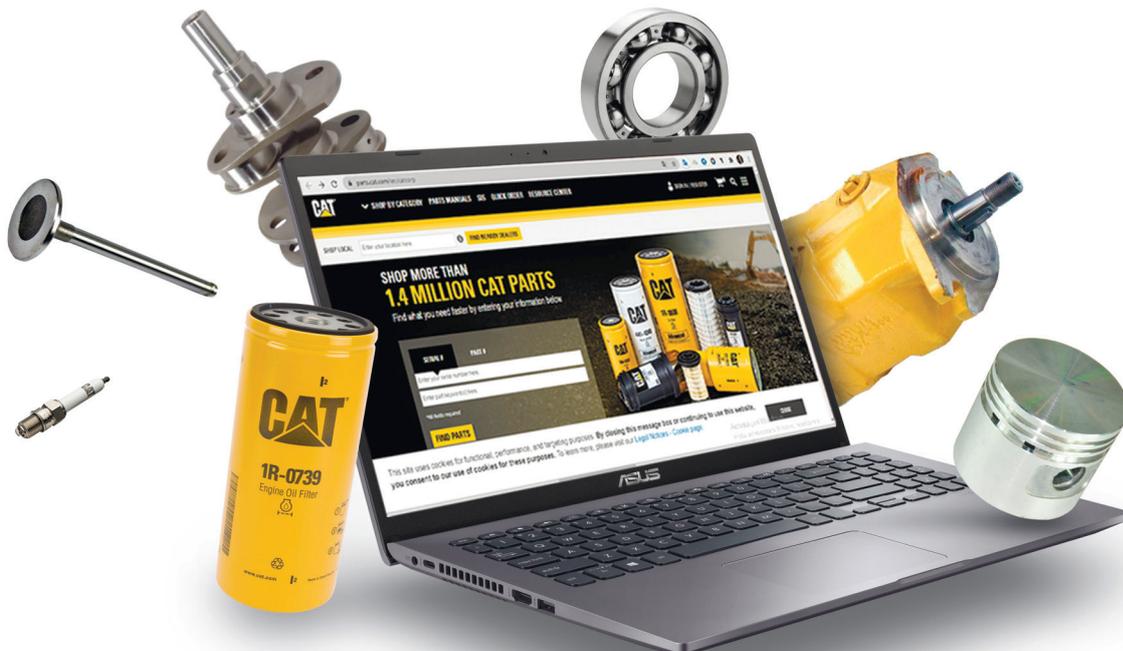
- *its financial statements for the last financial year;*
- *a statement for each class of company shares;*
- *information about the director and, if applicable, the secretary;*
- *information about the shares if these are held by the company as treasury shares; and*
- *other information and declarations (if any) required by the AIFC laws.*

Unless otherwise stated in its Articles of Association, a private company is not required to conduct an audit if the company has existed for more than one financial year, the year immediately preceding that financial year, and has:

- *an annual turnover of not more than U.S. \$5,000,000;*
- *an average of not more than 20 shareholders.*

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