

Nurgazina A.M.
**Securities issue as a progressive
strategy of funding**

There is a moment when any company faces with a need in extra funding for its further development. Financing can be demanded for production or technical and innovative modernization of the business unit. The company go «public» by issuing shares or debt securities in order to attract investors for financing its activity.

Funding on the public capital markets (securities markets) seeking for long-term investments is extensively used by private and state institutions in developed and developing countries all over the world. The same opportunities have organizations that operate in Kazakhstan.

However not so many Kazakhstani companies use instruments of the securities market to finance their activity or different projects. Mostly only large and mid-size companies have opportunities to be funding on this kind of capital market. There are some valuable advantages to receive money issuing securities. Whereas the stock market шы connected with risks that any listed company should manage.

Key words: shares, listing, investor, issuer, securities market, investments, IPO.

Нұрғазина Ә.М.
**Бағалы қағаздарын шығару
ретінде прогрессивті
қаржыландыру стратегиясы**

Әрбір компанияның қызмет процесінде өндірісті немесе техникалық және инновациялық жаңғырту үшін қосалқы инвестициялар керек. Осы мақсатында компаниялар акцияларын немесе несие бағалы қағаздарын шығарады.

Дамыған немесе дамушы мемлекеттерде жеке және мемлекеттік ұйымдары бағалы қағаздар нарығынан ұзақ мерзімді капиталын тартады. Олар көпшілік сатылымды өткізу кезінде инвесторларға акцияларын немесе несие бағалы қағаздарын сатады. Отандық бағалы қағаздар нарығы жергілікті компанияларға бұл мүмкіндігін береді.

Бірақ отандық компаниялардың арасында қызмет істеуге немесе жобаларды жасау үшін қор нарық арқылы инвестиция тартылатын сандары көп емес. Осында үлкен және орта бизнестің субъектері көбінесе қаржыландырады. Бағалы нарығы әр түрлі артықшылықтарын береді. Қор биржасы арқылы келетін инвестициялар тәуекелдермен байланысты Компаниялар осы тәуекелдерді басқаруы қажет.

Түйін сөздер: акциялар, листинг, инвестор, эмитент, бағалы қағаздар нарығы, инвестициялар, IPO.

Нургазина А.М.
**Выпуск ценных бумаг как
прогрессивная стратегия
фондирования**

В процессе деятельности практически каждой активно развивающейся компании наступает момент, когда для дальнейшего развития необходимы дополнительные средства в производственную, техническую и инновационную сферы. Компания размещает акции или долговые инструменты с целью привлечения инвесторов и получения финансирования.

Выход компаний на публичные рынки капитала (рынки ценных бумаг) и привлечение на них финансовых ресурсов на долгосрочной основе является неотъемлемой частью привлечения инвестиций частной и государственной структурами во многих странах мира как развитых, так и развивающихся. Такие возможности существуют и в Казахстане.

Однако только некоторые казахстанские компании осуществляют финансирование своей деятельности либо своих проектов с использованием инструментов фондового рынка. Финансирование на рынке ценных бумаг осуществляется преимущественно субъектами крупного и среднего бизнеса. Такие стратегии привлечения капитала имеют ряд преимуществ, присущих для долевого либо долевого фондирования. Особенности привлечения инвестиций через фондовую биржу сопряжены также с рисками, которыми должна управлять листинговая компания.

Ключевые слова: акции, листинг, инвестор, эмитент, рынок ценных бумаг, инвестиции, IPO.

SECURITIES ISSUE AS A PROGRESSIVE STRATEGY OF FUNDING

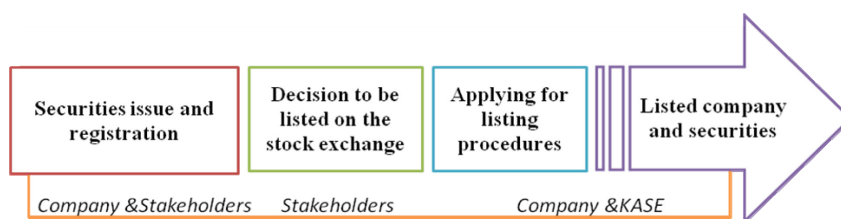
The most popular way to attract financing for the Kazakhstani companies is to receive bank loan or work with a strategic partner. However some business units experienced funding on the securities market. They issue shares or debt securities on the Kazakhstan stock exchange (KASE) or abroad. The securities market has particular advantages and disadvantages and usually welcomes midsize and large companies. Special requirements are designed for the listed companies providing transparency of the investment mechanism that is comprehensible for the market participants. Unfortunately the process of securities issue is not understandable for the most of the business society as well as opportunities and threats of go «public».

The securities market offers different opportunities providing funding either to develop strategic potential. For some institutions listing on the stock exchange means ambitious plans for future and their attractiveness for investors. If a company issues securities on a stock exchange that evidences of a new step of its progress. As a result the company announces about its openness for the business society, consumers and partners.

Therefore there are some reasons for the companies to be included into the official list of the stock exchange:

- 1) financing
- 2) strategic development
- 3) equity restructuring
- 4) diversification of funding sources
- 5) receiving the status of a public company
- 6) others, for example, tax preferences, grants and etc.

Securities issue and their official registration do not mean an automatic access of the company to the stock market. Issuing company should fulfil special listing requirements of the exchange where it plans to be list. The same is true for KASE – the issuer and its securities follow listing procedures according to legislation and rules of the exchange.



Picture 1 – issue and listing process

Composed by author

There is a difference between securities issue and listing and both consider as two steps how to receive financing on the stock market as shown on the picture 1. Firstly, the company should arrange securities issue and registration providing specified actions in their establishment as an object of civil law and rights. Secondly, if authorized bodies of this company take a decision to list on the stock exchange or go «public», this issuer applies for listing following special requirements and standards. Among these standards are the following:

- 1) financial indicators
- 2) financial report standards
- 3) auditing standards
- 4) corporate management standards
- 5) others

The main tasks of the listing are the following:

1) inspection of the issuer and its securities for the correspondence of the indicators to needed levels and standards provided by the legislation framework, KASE’s Listing rules and other internal documents;

2) ranking of the securities included into the KASE’s official list basing on their correspondence to differentiated norms and levels of standards;

3) information disclosure about listing companies and listing securities except state bonds and securities of the international financial organizations.

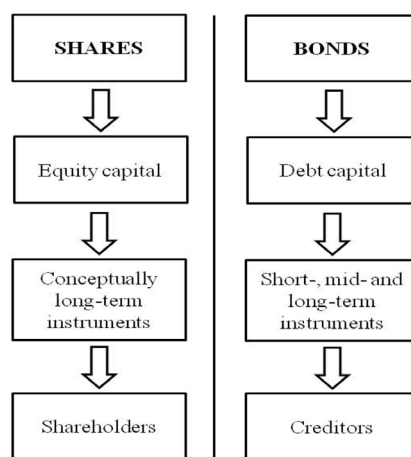
The KASE’s Listing commission takes decision regarding companies listing or delisting as well as change of the category of ranking in the official list. This commission votes to make reasonable conclusion.

Companies and other organizations have opportunity to issue securities according to legislation. There is no any difference if the ownership of this company vary being private, state (quasi-public) or mixed owned.

The KASE’s official list includes the following sectors:

- 1) shares;
- 2) debt securities;
- 3) Islamic securities;
- 4) securities of the investment funds;
- 5) derivatives;
- 6) securities of the international financial organizations;
- 7) state bonds;
- 8) other sectors.

The first two sectors are the most important for the purpose of securities issue and listing by the companies. These two sectors provide circulation of equity capital and debt instruments on the stock market. Investors can buy shares or bonds of the companies. Main differences presented on the picture 2 and below.



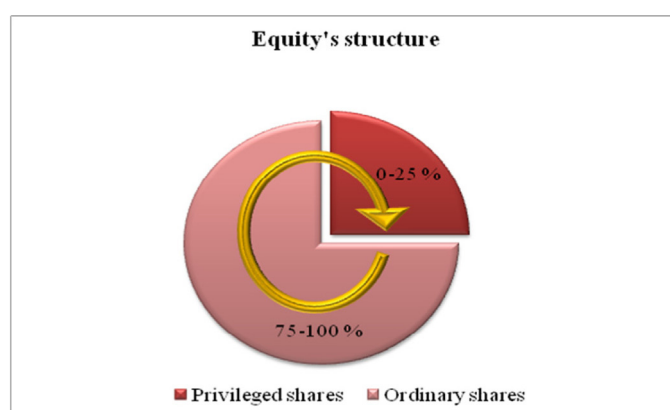
Picture 2 – Comparative structure of investments into shares and bonds

Composed by author

A bond is a debt security with a specified term of circulation. It certifies the right of the creditor who acts as an investor to receive from the issuer, who acts as a borrower, the interest annually/semi-annually; and amount of debt at the end of the bond's circulation. There are a lot of types of bonds depending upon the variety of interest rates, terms of circulation, types of the issuers and other parameters. Bond can be issued by a joint stock company or a limited partnership. International organizations and government institutions also issue debt securities for

financing their activity. A share is a security issued by the joint stock company. Thus the investor buys this security and becomes a shareholder who has legal rights apportioned to the owned share of equity. The investor has right to receive dividends from the annual profit according to the decision taken on the shareholders' meeting or due to dividend policy of the company.

There are two types of shares – ordinary and privileged ones. In equity's structure portion of privilege shares can be up till 25 % as shown on the picture 3. Shareholders take decision on this matter.



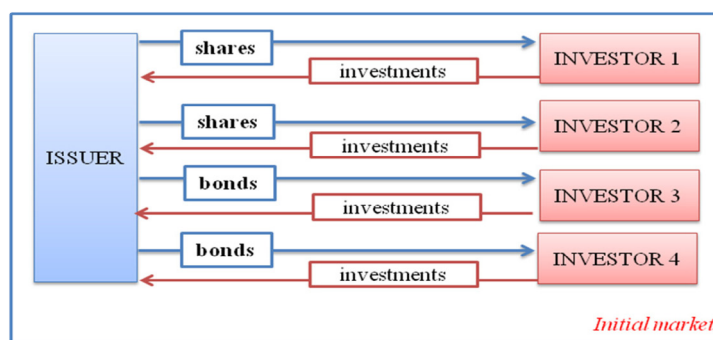
Picture 3 – Equity's structure.

Composed by author

The ordinary share gives the opportunity to its owner to participate in management of the company mostly by voting on shareholders' meetings what actual for the minority shareholder. As for dividends, from one hand, the size of the dividend per the ordinary share and its calculation, in case of annual profit, depends upon the decision taken on the

shareholders' meeting or due to dividend policy as mentioned above. From other hand, the privileged share provides annual fixed minimum level of dividends per one share that doesn't depend upon the profitability of the company but not giving the right to participate in its management.

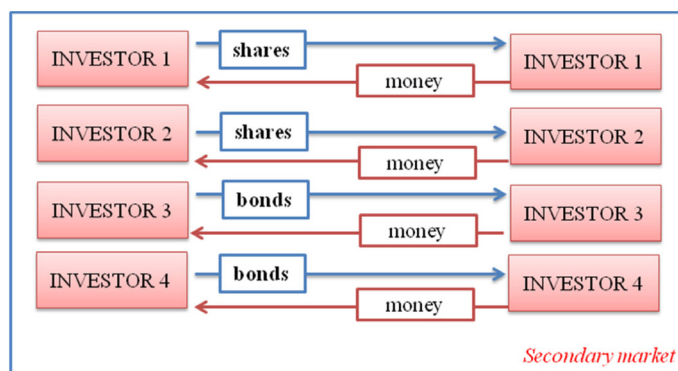
Due to initial offering companies sell their securities in order to receive funding; therefore it is an initial market. See on the picture 4.



Picture 4 – Initial market.

Composed by author

On the secondary market investors sell them to other investors.



Picture 5 – Secondary market.

Composed by author

Companies support the circulation of their securities on the secondary market.

In spite of advantages there are some disadvantages of the securities issue.

Firstly, no guaranties can be given to the issuer that investors will have any interest to invest into its securities.

Secondly, if the company’s owners sell their equity or go «public» especially offering ordinary shares they have potential risk for merger and acquisition as well as a partly or full loss of the control in management of this company.

Thirdly, any volatility in shares or defaults can affect on the corporate look and investment image of the issuer.

Fourthly, unstable investment environment or negative tendencies on the markets decrease market value of the issuer.

Therefore, the matters of the securities issue should have high concern of the listed companies aiming to provide price stability of their securities, favourable conditions for the investors and transparency of their activity.

Securities issue is a very important element of the investment gear. In order to provide the effective development of the securities market issue’s intends should be supported by a complex of measurements related to the market infrastructure. Modern strategies of funding should be one of the top priorities in research of the financial market. Studying the principles of securities issue improves common understanding of the equity and debt capital and companies’ financing.

References

- 1 Law of the Republic of Kazakhstan «On the securities market» from the 2nd of July 2003 № 461-II.
- 2 Law of the Republic of Kazakhstan «On joint stock companies» from the 13th of May 2003 № 415-P.
- 3 Kazakhstan Stock Exchange. Categories «Shares» and «Debt securities» of the KASE Official list. – 2015. – 4 p.