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**Current status and prospects
of corporate governance in
Kazakhstan**

Corporate Governance – is the management of organizational and legal registration of businesses, streamlining the organizational structure, the construction of inter-firm relationships within the company and in accordance with the objectives. The system management of the organization's corporate culture plays an important role, as a strategic tool to orient the team to achieve their goals. Since the internal characteristics of the corporate culture is difficult measurable, an important issue and the urgent need is to create techniques that allow to identify the main parameters of the current state of corporate culture in the company and the possible directions of change.

Key words: CG (corporate governance), stakeholders, transparency, JSC (joint stock company), a coalition of interest groups.

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**Қазақстан республикасының
корпоративтік басқаруының
бүгінгі жағдайы және болашақ
дамуы**

Корпоративтік басқару – бизнестің ұйымдық-құқықтық рәсімдеуін, ұйымдық құрылымдардың оңтайландыруын басқару, қойылған мақсаты бойынша ішкі және фирмааралық қатынастарды құру. Корпоративтік мәдениет ұйымның басқару жүйесінде, коллективті қойылған мақсатқа жеткізетін стратегиялық құрал болып, ерекше орын алады. Корпоративтік мәдениеттің ішкі сипаттамалары қиын өлшенетіндіктен, корпоративтік мәдениеттің қазіргі жағдайының негізгі параметрлерінің және оның өзгеру бағдарының мүмкіндігін білдіретін, методикасы маңызды мәселе болып тұр. Корпоративтік басқару механизмдерді дамыту және жетілдіру – үлкен бизнес-құрылымдар үшін өмірлік қажетті процесс.

Түйін сөздер: КБ (корпоративтік басқару), стейкхолдер, ашықтық АҚК (акционерлік қоғам), мүдделі топ коалициясы.

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**Современное состояние и
перспективы развития
корпоративного управления
в Республике Казахстан**

Корпоративное управление – это управление организационно-правовым оформлением бизнеса, оптимизацией организационных структур, построение внутри- и межфирменных отношений компании в соответствии с принятыми целями. В системе управления организацией корпоративная культура занимает важное место, являясь стратегическим инструментом, позволяющим ориентировать коллектив на достижение поставленных целей. Поскольку внутренние характеристики корпоративной культуры трудно измеряемы, важной проблемой и насущной потребностью становится создание методик, позволяющих выявить основные параметры современного состояния корпоративной культуры в компании и возможные направления ее изменения. Совершенствование и развитие механизмов корпоративного управления – процессы, жизненно необходимые, прежде всего, крупным бизнес-структурам.

Ключевые слова: КУ (корпоративное управление), стейкхолдер, прозрачность, АО (акционерное общество), коалиция заинтересованных групп.

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Domestic business only recently discovered the benefits of corporate governance, but in the world, this practice has been around for centuries. All this time, the basic principles of corporate governance remained unchanged: the transparency of all processes and collegiality in decision-making.

Quite often, Corporate governance refers to the general management, strategic management of the organization and others. However, it is important to separate the concept of corporate management and corporate governance. Under the first term refers to the activities of professionals in the course of business operations. In other words, management is focused on the mechanisms of doing business. The second concept is much broader: it means the interaction of many individuals and organizations that are related to various aspects of the functioning of the company. Corporate governance is at a higher level leadership of the company, rather than management.

Corporate governance, especially as management of corporate law. At the same time, if we take corporate rights as the most common object of corporate governance, it can be characterized as follows: corporate governance is the process of adjusting its corporate owner of the rights in order to profit, corporate governance now, reimbursement by obtaining a share of assets upon liquidation. KU is a work of election and appointed bodies of the company is to maintain a balance between the interests of owners and managers who manage their own society to maximize profits from all activities of society within the current legislation. Law “On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on securities market and joint-stock companies” dated July 8, 2005 at the legislative level introduced the concept of “corporate governance code” [1].

Most experts and researchers consider corporate governance in two ways: in the narrow sense – Corporate Governance – a system of rules and incentives that encourage executives to act in the interests of shareholders; in the broadest sense, corporate governance – a system of organizational, economic, legal and administrative relations between the subjects of economic relations, the interest of which is associated with the company.

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governance system include the traditional functions of regular management (planning, organization, motivation and control), organizational change management, and regulate the relationship between business owners and top managers.

Tracing the evolution of the concept of corporate governance in the industry in Kazakhstan and abroad, we can conclude that the classical understanding of corporate governance as a process of interactions between shareholders and managers became narrow and exhausted itself. The main goal of the modern paradigm of Corporate Governance transition to a model of stakeholder review of the boundaries of the corporation as a coalition of interest groups, each of which seeks to increase the well-being and implement specific economic interests.

Definition of key individuals, “interested” in the company (stakeholders). They are:

- 1) The company’s management;
- 2) State (owner and regulator);
- 3) Employees;
- 4) Investors (lenders);
- 5) Customers (population of Kazakhstan and the company).

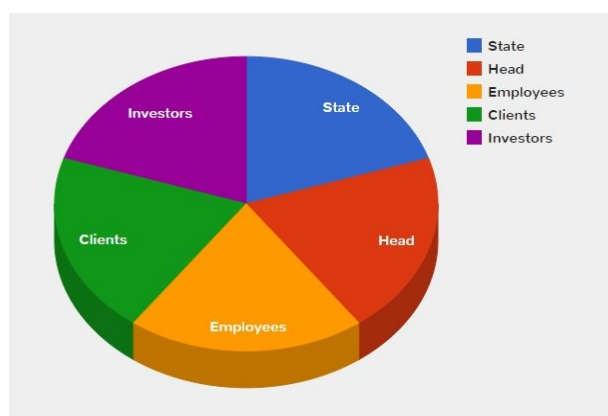


Figure 1 – Balanced Board of Directors [2]

One of the main goals are to protect CG and balance the interests of all key stakeholders. First of all this is done through the introduction of mandatory requirements for the management of the organization through the model regulations. One example of such requirements is that the internal audit function is subordinate only to the board, not the executive body (Article 61 of the JSC Law).

In Kazakhstan, the company trying to solve business problems through administrative measures, that is, an order prohibits businesses to raise prices (Article 15 of the Regulation on the Agency for

Regulation of Natural Monopolies, approved by Government Resolution of 12 December 2007). These Soviet action leads to a deficiency of goods and services, lack of motivation and opportunities to invest in the assets and business development, which in turn results in deterioration of the equipment and permanent subsidies. In the West, socially important spheres of trying to make competitive and at the same time begin to regulate not the price, and management in the enterprise, in order to accommodate and protect the interests of all major stakeholders. What is required in this case: the legal regulation of not prices, and corporate governance [3].

To date, the law was amended, concerning the improvement of the order of creation, reorganization and liquidation of the JSC. The current legal practice shows that the possibility of reorganization of JSC in the form of separation and isolation provided by applicable law, contributes to a lot of abuse. In addition, the Act, to protect the rights of shareholders introduced criminal liability for knowingly giving false information to officials of four joint-stock companies (JSC) for fraud on a large scale, for violations in the process of issuance and circulation of securities, as well as increased penalties of up to 500 MCI in the case of other violations.

Upon recognition of the state registration of securities issue as invalid by the court, JSC is now given the opportunity for a certain period to register a new issue of shares or to take a decision on its reorganization or liquidation. In general, the changes have affected the Civil Code (General Part), the Criminal Code, the Code of Administrative Offences, the laws “On Licensing”, “On Banks and Banking Activity”, “On pensions”, “On Limited and Additional Liability” “Insurance activity”, “On Joint Stock Companies” and “On the Securities Market”.

In Kazakhstan, access to international capital markets have major listed companies and their subsidiaries. Therefore, the joint-stock companies that have adopted corporate governance standards in Kazakhstan are scarce. Now a significant part of local companies finances its investment program through syndicated loans and equity, which is due to the reluctance of companies to disclose the ownership structure. Importance of corporate governance in financial institutions that provide services to the general public, primarily due to the challenges banks provide better management and transparency, the stability of their activity, introduction of risk management systems, to protect the rights and interests of investors [4].

Currently, the bill is before the Parliament. According to him, it is suggested amendments to the

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- strengthening the requirements for the acquisition of a large participant of the bank and bank holding company, including an increase in transparency of ownership of a large party and the bank holding company, requirements for business and professional skills of executives of large participant and bank holding company;

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For further prospects of corporate governance in Kazakhstan should:

- Limit directorships on the boards of directors, for example, up to three or even two;

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- To require institutional investors to publish their position, results of voting and policies, reports, and information on compliance with relevant codes [5].

With the globalization of modern economy one of the most pressing problems of large industrial business was the problem of corporate governance. The term «corporate governance» is used in a variety of interpretations. As I have discussed different approaches to the nature of the lack of a comprehensive definition. I think the most appropriate corporate governance is considered systemically, meaning by this term primarily a system of interaction of corporate governance, cost management company and its sustainable development, a set of principles for constructing an optimal structure interaction with all key stakeholders in accordance with the mission to provide the most favorable redistribution of concentrated the corporation resources and reduce risks to the company's owners.

Kazakhstan's experience and world practice shows that the maximum economic efficiency, sustainable economic growth and improving the welfare of the nation, freedom is achieved when private capital only where market competition ensures the implementation of the interests of owners and the interests of society. In this case, it is the system of corporate governance in a constantly changing environment and the globalization of the world economy makes it possible to ensure the development of strategic decision-making and control of the changes taking place, contributes to the development of corporate strategies based on sustainable competitive advantages.

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