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[Field Research]

Features of Corporate Governance in Kazakhstan*

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Abstract

Purpose – Following globalization, Kazakh companies are considered to be among the main economic agents of the country. The influence of Limited Liability Partnerships (LLPs) on Kazakhstan's economic development is becoming increasingly pronounced. Therefore, limitations and backwardness of legislation regarding regulation of corporate governance must be overcome at the earliest.

Research design, data, and methodology – We considered the basis for legislation of corporate governance in Kazakhstan, and the corporate governance models that better describe the situation of being in the organization.

Results – Earlier studies have identified several problems, including "transparency" of issuers and markets, and the consequent lack of (undeveloped) external control of managers of the former state-owned enterprises; lack of traditional corporate ethics and culture; and corruption, and other criminal aspects of the problem. This article describes several proposals to improve corporate governance in Kazakhstan to solve these problems.

Conclusions – Domestic reformers acting without consideration of local features is a common occurrence today. They often ignore that these features are recommended for reputable international organizations, and therefore should be used carefully.

Keywords: CG (corporate governance), Kazakhstan, Control, Model Legislation, Market.

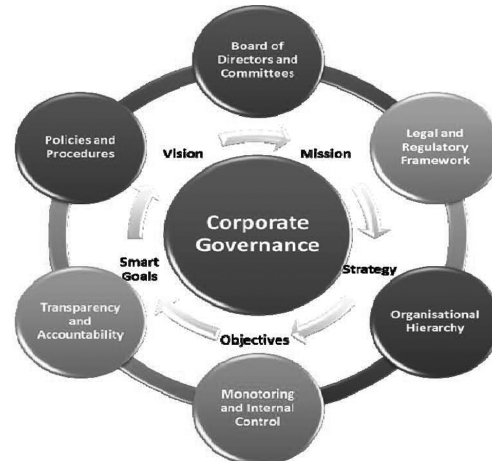
JEL Classifications: M100, M110, M120.

1. Introduction

Corporate governance is the total branch of knowledge, which translated into Russian terminology covers several disciplines: finance, law, accounting, taxes, etc.

Pivot around which are woven these diverse science, was the question of ensuring internal security is now the company.

That is, if yesterday it was believed that there are dozens of external factors (economic crisis, political instability, etc.) could lead to the immediate collapse of the company, but now the whole world has become no less attention is paid to internal factors. Chief among these internal factors, as shown by international experience, has become the order of management in companies.



<Figure 1> Corporate governance system of Kazakhstan

Previously it was thought that there are no people more commitment to the company than its officers and directors, but today, these views have changed dramatically. Now, on the contrary, it is considered that there are no people who would need to more carefully control and monitor how managers and company directors. In this sense, it is fully applicable to the proverb which says that if you want to check on the integrity of the person, give him the money and power. Managers and directors of companies - these are the people who provided money and power. And if before the power and money provided almost parole, but today, after a series of major corporate scandals, a

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new branch of knowledge, "corporate governance", is responsible for implementing and improving self-sufficient, self-controlling mechanisms of management of companies in which the entire leadership, all directors and staff are under constant, cross, mutual control and supervision of the shareholders. Accumulation, analysis, development and implementation of the control system companies best practice in this area, and there is, in fact, work to improve corporate governance. A comprehensive knowledge of the industry that deals with these issues, as already mentioned, referred to as "corporate governance".

2. Literature Review

2.1. Corporate governance in the life of Kazakhstan companies

Speaking about the relevance of corporate governance, it is gratifying to note that today the question of implementation or the introduction of modern principles of corporate governance is not as acute in front of domestic companies, as it was a few years ago. Most companies is already solved that question for yourself. Today, all major companies understand that it is important and necessary. But there was another problem: how to do it, and most importantly, how to do all of this quickly? In this respect, the enthusiasm of some companies planning to change corporate governance in a few months, you can only envy.

Thus, for many domestic companies need a good, well-established system of corporate governance has become very urgent. However, different companies at the same time guided by different motives. Some want to improve their corporate governance because in the near future plan to go for an IPO. By the way, most of these. Others believe that the improvement of corporate governance can have a positive impact on the effectiveness of the company as a whole. In this article I will try to understand what really are the benefits of good corporate governance. How are the circumstances when the system of corporate governance suffers.

2.2. The consequences of poor corporate governance

International experience in corporate practices in the numerous corporate crises shows the following. Company with weak corporate governance poses a serious threat to the interests both directly, investors, society and the state did. The most striking example of the American company Enron became a living proof of this. The collapse of this giant of American industry took place in a matter of days. It happened only because of many errors, abuse and fraud in the performance of managers and directors of the company, which was made possible due to the low quality of corporate governance. Losses unsuspecting shareholders amounted to 60 billion. US \$ 5.6 thousand. Workers lost their jobs, company director were sentenced to lengthy prison terms and compensation of losses of millions. Very much reflect this on the company's contractors. And this is just one of the high-profile episodes consequences of poor cor-

porate governance in the history of corporate scandals in the international arena.

Domestic practice has now totals some sad examples of poor corporate governance.

The consequences of poor corporate governance can be expressed not only in the bankruptcy of the company. Bankruptcy is only one of the most extreme manifestations. This is a good opportunity for raider capture company, this company unattractive for investors, this is an excellent opportunity for unscrupulous managers, and it suits by shareholders to the company.

2.3. The benefits of good corporation

It should be noted that the company, which in its activity does not violate any current legislation can not automatically be considered a company with good corporate governance. Compliance with the law is a necessary but not sufficient element. In addition, these companies will sooner or later turn from law-abiding companies in the violators if they do not make an effort to further improve the corporate governance system. Here, everything is interconnected. Therefore confine compliance with legal requirements is not possible, it is only an intermediate stage, which must either bring to the next stage, or roll back to the previous state.

Ideally, a company with a good corporate governance framework should be established in its control system all the institutions best practices, such as:

- Independent Director,
- Committees of the Board of Directors,
- The permit system and the prevention of corporate conflicts,
- A proper system of internal control and risk management,
- Really working internal audit service,
- Corporate Secretary,
- A system of disclosure of conflicts of interest, etc.

But this is only one side of the coin, the so-called "static" good corporate governance, the mere existence or creation of all these institutions nothing. By the way, the company Enron has almost all the specified attributes. It is necessary to build up the interaction between all these institutions, it is the second side of the coin - "dynamics" of corporate governance. All the necessary attributes of good corporate governance can be implemented fairly quickly and without much effort. However, to establish the correct dynamics, they have to build a relationship between these institutions, to make the system work - is quite complicated and time-consuming process. To do this, it will take years. The control system changes along with people. And in order to change people's attitude to the processes, as we know, it takes time. Therefore, the corporate governance of the company can be considered good only when not only implemented all the necessary institutions corporate governance best practices, adapted to the needs of the company, but when all these institutions really work, people involved in them are aware of their role in the dynamics of the whole process, all participants clearly understand their responsibilities, in short, when the company has created not only the static corporate governance, but also enjoys the right speaker.

3. Methodology and Summary Statistics

Now that, in fact, can provide properly structured system of corporate governance. It is recognized that the main advantages of good corporate governance are:

- 1) improving the efficiency of the company;
- 2) facilitating access to capital markets;
- 3) the ability to attract financing on more favorable terms;
- 4) strengthening the company's reputation.

Improving the performance of the company. It is believed that properly structured processes of corporate governance have a positive impact on efficiency. By the way, in Kazakhstan's fairly common practice is complete chaos in the relations within the company. One unit makes a decision that is contrary to the decision of another unit; Committee of the Board of Directors decides not comply with legal requirements; There are no hard, well-developed performance standards of business units, which are suffering from the customers organization, and established mechanisms to identify gaps and clear lines of response do not like the other examples. Therefore, first of all, well embedded in the activities of the company corporate governance principles should significantly optimize all current business processes. This is reflected in the establishment of clear rules and order in the hard work between all departments of the company and within them. This is facilitated properly implement the system of internal control, which allows you to clean in the company "at the cellular level," figuratively speaking. Internal control - a system that allows the board of directors and the executive body through specific verification mechanisms have an idea of what is happening at the bottom of each level and in each unit. Figuratively speaking, internal control makes it possible to "look in the face" of each employee in each room. Furthermore, this system makes it possible not only to obtain relevant information about everything going on in the company, but also to manage this process, correct it, act on it in the right direction.

Secondly, good corporate governance and effective in reducing the risk of all sorts and allows to detect, identify and effectively manage them. This applies to all types of risks. Including the risk of fraud on the part of management that is often overlooked, the risks of the companies involved in the litigation. How good corporate governance contributes to this? To this end, the management structure of the company is organized risk management system that is integrated into the internal control and starts from the top level, and ends with the rank and file employees. In some companies, there are special services for risk management at the departmental level, which take the brunt of the burden of risk management, and board-level committees have been established for risk management. Nevertheless, the whole system is not confined to these structures.

Effectiveness of the company with good corporate governance and enhanced by improving the reporting and monitoring of both managers and board members. Regular monitoring of the activities of managers and board members - useful and very important element in any company - a well-established system of

corporate governance will contribute, except the internal control and internal audit service, as well as properly organized system of disclosure in the company.

On the effectiveness of the company with good corporate governance can not but affect and strict standards and rules in each division. Establish such rules contributes to the fact that the whole structure of the organization, each individual unit in the company with embedded and actively apply the principles and institutions of corporate governance best practices, is under systematic comprehensive monitoring and control. A system of this monitoring and control - an indispensable tool for improving corporate governance practices for domestic companies. And, most importantly, control, monitoring and reporting of the presence of failures and shortcomings in the work going on is not necessarily "top-down" as is commonly believed. Its uniqueness lies in the fact that almost every employee involved in this work as well as the directors and senior management.

Facilitating access to capital markets. Many stock exchanges of the world today is one of the basic requirements for listing set high standards of corporate governance. Thus becomes understandable desire to domestic companies preparing to enter the world's stock exchanges, in a short time to implement all the institutions of corporate governance best practices. At the same time, we are witnessing is not rare and excessive zeal in this matter. It is that the company is creating a board of directors is the large number of individual committees that, firstly, no one in the company, including board members themselves do not understand who and what these committees should be doing, and secondly, that amount does not reflect the No real needs of the company in the committees.

Action background exchanges to tighten requirements for corporate governance is absolutely understandable. Exchange should create conditions to attract investors to their site, which is necessary to take measures to improve the stability of listed companies and increase investor confidence as to the exchange itself with its listing requirements, as well as companies. According to a study conducted by McKinsey & Company in 2002 from 41% to 66% of investors around the world are paying equal attention today as financial performance and corporate governance issues in dealing with investment in the company. This means that corporate governance issues of today are no less important than the tools themselves profitability of the company.

Availability of financing on more favorable terms. Besides the fact that half of all investors in the world have the same emphasis corporate governance, as well as profitability, investors today are willing to pay a premium over the share price in the case of good corporate governance. The less developed a particular market, the greater the premium investors are willing to pay for the shares of companies with a high level of corporate governance in this market. Pattern here is simple: the less stability in the external environment in which the company operates, the more will it cost stability within the company. This internal stability of the company is ensured through the introduction of company management best practice recommendations. So, for the shares of Russian companies in 2002, investors were willing to pay up to 38% above their

value. Much less the premium was in the developed markets, such as in the US - 14, Germany - 13%. However, in addition to prizes for the shares of the company with good corporate governance attract funding from various sources on more favorable terms, in contrast to those companies, corporate governance which is lame.

Strengthening the company's reputation. Very often, the level of corporate governance demonstrates the stability and dynamic development that inspires confidence in the company, not only by investors but also by customers and society. This strengthens the company's reputation in the market and enhances the company's sales.

The acuteness of the problem for the financial sector. Unlike most conventional production companies, which, depending on individual circumstances entitled to ponder the question of whether to implement or not to implement the recommendations of the best corporate governance practices, banks and other financial institutions are forced to do so due to the unique status of these organizations. Acting as intermediaries in the capital market, the majority of financial institutions, because of their status, a priori, must comply with the best practices of corporate governance. This is, firstly, due to the huge, if not decisive, the value of trust from customers and depositors in respect of financial institutions to the business of the latter. Second, banks are the main actors in the monetary system that stresses the importance of stability. For these reasons, banks and other financial institutions are subject to more stringent regulation, including corporate governance. In this connection, in many areas of corporate governance to financial institutions provide less freedom. They are required to constantly improve the confidence of investors and customers, they are required to implement those institutions that are prescribed for them by law. For example, if the company is entitled to the usual or not to create committees of the board of directors, banks are required to do so in accordance with the law; If any other company has the right not to organize an internal audit service, banks and insurance companies are obliged her to do it. Particularly for financial institutions in the area and there are deals affiliated persons, and the requirements for the members of the Board of Directors, and the disclosure, and many other aspects of corporate governance.

Among the important factors that influence the formation of a national model of corporate governance, should be highlighted:

- The structure of ownership of shares in corporations;
- Specifics of the financial system as a whole as a mechanism for the transformation of savings into investments (types and distribution of financial contracts, the state of the financial markets, types of financial institutions, the role of banking institutions);
- The ratio of corporate funding sources; macroeconomic and economic policy in the country;
- The political system (there are a number of studies, conducting direct parallels between the device's political system "voters - Parliament - Government" and a model of corporate governance "Shareholders - Board of Directors - Managers");

- History of development and modern features of the legal system and culture;
- Traditional (historically constituted) national ideology; prevailing business practices;
- Traditions and the degree of state intervention in the economy and its role in the regulation of the legal system.

Efficacy of best practice recommendations for companies existing in Kazakhstan realities, some critics doubt is fair. Indeed, each country has its own national model of corporate governance, based on the existing basic models with various features that take into account the socio-cultural, economic, historical features of a particular country. As already mentioned, there are a lot of different models of corporate governance. They vary from country to country. Each country produces its own special model of corporate governance. All depends on the features that the system of corporate governance is in a particular country. However, all national systems of corporate governance are based on two main models of corporate governance that exist in the world are:

- 1) Anglo-Saxon model;
- 2) Continental model.

The experience of the first stage of privatization (1991-1992). The second stage in the development of corporate governance in the Republic of Kazakhstan (from 1991 to 1995). In Kazakhstan has shown the limitations of ownership conversion tools developed with a focus on collectivist beginning that it was inevitable time. Adopted in March 1993. "National program of privatization of state property in the Republic of Kazakhstan for 1993-1995" to determine the direction and sequence of the transformation of state property.

During this period, transformed into joint stock companies about 2,000 enterprises.

The third stage in the development of corporate governance in the Republic of Kazakhstan (from 1996 to 1999) of cash privatization. Until the end of 1998, it was privatized in 2615 joint-stock companies and economic partnerships. This represented 51.8% of the total number of established joint-stock companies and economic partnerships.

Corporate governance has been built on the basis of well-established and effective regulations in finance, securities, management, labor relations, contractual obligations, contractual activities, organizational structures, marketing.

Kazakhstan has chosen as the base of the continental model of corporate governance. Creating a two-tier system of governance of companies is mandatory for all public companies. Until recently, there were some exceptions to this effect for companies all the voting shares are owned by the sole shareholder. Legislation allowed in such cases does not create the board of directors. In domestic practice quite common stock companies with a single shareholder. However, changes in the law of 19 February 2007, this rule was revoked. Now the demand for a two-tier management system sounded more categorical, avoiding already in general are no exceptions to this rule. Meanwhile, the validity of such a categorical, I must say a few questionable.

4. Results and Discussion

The problem of modern corporate governance arises with the development of global stock markets and the globalization of economic processes, due to the transition from the "capitalist private property owners" to "capitalism hired professional managers." Separation of activities and responsibilities, executive and control the distribution of functions between shareholders and management, enterprise-wide search for equilibrium are expressed in the Corporate Governance Code. Currently, in most of the developed world are corporate governance codes developed at the initiative of non-governmental professional associations and widely accepted in the business community on a voluntary basis.

In the early nineties there was a problem most clearly systematic approach to corporate governance. Separation of activities and responsibilities, the distribution of the executive and control functions between shareholders and managers, need to find a corporate balance sheet are expressed in the Code of Corporate Governance.

First code of corporate governance, such as Cadbury Report in the UK, General Motors Board of Directors Guidelines in the United States and Dey Report in Canada served as models for other companies. Later, and international organizations have been paying attention to the principles of corporate governance. Thus, the development of these principles and their improvement as the economy is one of the main activities of the Organization for Economic Cooperation Development (OECD).

OECD Principles of Corporate Governance were updated in 2004. The need to create a unified system of corporate governance and ripened in Kazakhstan. Despite the improvement in the investment climate, local companies still lacks transparency and corporate culture. To create such a system is necessary to solve a number of key issues, from theoretical standards of corporate governance to move to their practical application.

The main types of large corporations in Kazakhstan:

1. National and state-owned companies (15): "KazTransOil"; RGP "Kazakhstan TemirJoly"; JSC "Kazakhtelecom"; JSC "Halyk Savings Bank of Kazakhstan", etc .;
2. Joint-stock company established by the state and privatized on individual projects (40): CBO "Corporation" Kazakhmys "; JSC "Kazzinc", etc .;
3. Private corporations formed by the methods of self-organization of the market (about 10): OAO "Kazkommertsbank"; JSC "Neftekhimbank", etc .;
4. The Kazakhstan branch of TNK (about 45): JSC "Corporation" Kazakhmys "(Samsung); JSC "Coca Cola Almaty Bottlers" (Coca Cola, etc.).

The urgency of DF is defined increasingly complex relationship between the owners and managers of businesses that make up the core of KU. If at the initial stage of market reforms in Kazakhstan are often combined in one person. Now the owners of shares (the owners), as well as throughout the "civilized world", are increasingly forced to hire as control of professional managers. In addition, the complicated relationship between different groups of shareholders in corporations: small

and large, controlling and blocking, etc. This whole tangle of relationships and should be regulated by the principles of KU.

Features of the corporate governance system in Kazakhstan. The emerging system in Kazakhstan KU is characterized some features:

- Permanent process of redistribution of ownership in a corporation;
- Specific motivation of many insiders (managers and major shareholders) associated with the control of financial flows and the "output" of corporate assets;
- Concentration of shares (controlling interest) in the hands of the directors or the Director General;
- Weak or atypical role of traditional "external" corporate governance mechanisms (securities market, bankruptcy, the market for corporate management and control), etc.

Material weaknesses in corporate governance is the absence of equitable representation of members of the corporation. No clearly defined and calibrated system of separation of powers, rights, responsibilities and functions between the different levels of the control system, as well as between the parties to the decision making process. This situation is one of the threats to the economic security of the corporation.

The high degree of centralization of corporate governance leads to a low level of economic independence divisions of the corporation. For such a control system is characterized by rigid subordinated subordination of the lower-level leadership senior managers and indirectly the directors and the Director General, in which they often do not bear the corresponding liability for the results of economic activity. It's pretty much an obstacle to the formation and development of corporate governance.

It should be emphasized that the concept of "KU" makes sense only if there is a separation of ownership from management and finance department, at least, certain sources of finance, from the management of the corporation. That division of the owner and manager defines the essence of the modern corporation and necessitates the introduction of KU.

Based on the foregoing, it can be concluded that in countries with transitional economies and domestic conditions formed a kind of model of KU. We call it the CG model of the transition period. In this model, there are also the owners, and hired managers, but their powers in the company are not strictly separated.

In this model the transition does not occur immediately the separation of ownership and management of the property. On the contrary, there is a powerful line: Owner - Board of Directors - Management, part of which forms the core of management, the company performs as a business function and control. One of the main drawbacks of this model is that the administrative core is a kind of internal joint-stock company, a substitute for all the formal corporate governance mechanisms. Interests of those who did not get into the core of management, with no protection. In these circumstances, there is inevitably a continuous struggle for the interception of the entrepreneurial function, which, in turn, allows you to effectively manage the company even highly professional management and create a sustainable competitive advantage.

In Kazakhstan, in my opinion the current stage of business development should take place under the banner of corporate development and full-scale development of corporate governance principles at all levels of government. To implement this concept, it is necessary:

1. The shift from the KU transition to a modern model based on international principles of its construction. The proposed model assumes that KU effective securities market and such important and disciplining management indicators as the market value of the company and the market KU and control;
2. Prepare and adopt a law "On Corporations", which determines the complex principles and norms of its activity as a holistic socio-economic business entity economy. It is necessary to exclude the possibility of hostile takeovers of companies, based on different interpretations of the law, through bankruptcy, cheating partners, violation of the rights of employees and shareholders, ie raiding and better secure the rights and responsibilities of all stakeholders KU and corporate business as a whole, its organizational forms.

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- Weak or atypical role of traditional "external" corporate governance mechanisms (securities market, bankruptcy, the market for corporate management and control), etc.

Institutional and integration trends in the process of market reforms in Kazakhstan led to the formation of the corporate sector, including large industrial, industrial and commercial joint-stock companies, financial-industrial groups, holding and multinational companies that increasingly define the leading role in the economic growth of the country.

Hallmarks of the corporate governance system in Kazakhstan are now as follows:

- The relatively high compared with international practice the proportion of managers in large enterprises;
- Fairly low proportion of banks and other financial institutional investors;
- In fact, there is no such a national group of institutional investors such as pension funds, equity funds, which are the most important subjects of the market in developed market economies;
- Undeveloped securities market provides low liquidity of most businesses and the inability to attract investments from small businesses;
- On the other hand, the lack of developed securities market reduces the relevance of software for enterprises decent reputation in the market and transparency of information;
- In many cases, the relationship with the creditors or share-

holders are more important for managers than the relationship with the owners;

- The most important feature is "opacity" property relations: the nature of privatization and post-privatization period led to what is virtually impossible to draw a clear line between the real and the nominal owner.

Certain conservatism is typical for any model of corporate governance, and the formation of its specific mechanisms due to the historical process in the country. This means in particular that we should not expect rapid changes in corporate governance model after any radical legal changes.

It is necessary to emphasize the fact that the Republic of Kazakhstan and other countries with market economies are now characterized by only forming the intermediate model of corporate governance. For them, the typical bitter struggle for control of the corporation, lack of protection for shareholders (investors), and underdeveloped legal and government regulation.

Among the most important specific issues inherent in most emerging market economies, and creates additional difficulties in forming models of corporate governance and control should be highlighted:

- Relatively unstable macroeconomic and political situation;
- The adverse financial condition of a large number of newly established corporations;
- Insufficient development and relatively contradictory legislation as a whole;
- The dominance of the economy of large corporations and the problem of monopoly;
- In many cases, a large initial "dispersal" of share ownership;
- The problem of "transparency" of issuers and markets, and as a consequence - the lack of (undeveloped) external control of the managers of the former state-owned enterprises;
- Weak internal and fears of many additional risks foreign investors;
- Lack of traditions of corporate ethics and culture;
- Corruption and other criminal aspects of the problem.

In this - one of the fundamental differences between "classical" models prevailing in countries with developed market economies, which are relatively stable and have more than a century.

Experts in the field of corporate law are three main models of corporate governance countries with developed market relations: Anglo-American, Japanese and German. Each of these models was formed in the country for a long period of historically and reflects primarily the specific national conditions of socio-economic development, traditions and ideology.

Direct and automatic transfer of foreign models on the Kazakh economy is not only pointless, but dangerous for further reform.

In Kazakhstan conditions contradiction in corporate relations traditionally most acute. As a result of the mass privatization in the Republic of Kazakhstan has developed a peculiar structure of the capital stock companies, based on the distribution of small blocks of shares among a large circle of small shareholders, as well as on the presence of "exclusive" relationship between major shareholders and the management of such companies. Therefore, quite often there is a paradoxical situation where major shareholders issuers are interested not so

much in improving the profitability of the company, as in the preservation of their unique relationship with the companies (eg, monitoring of financial flows and export-import operations).

In this regard, the basic principle of state policy on corporate securities market should be to improve the regulatory role of the state, which should provide:

- protect investors from the risks of the stock market;
- Create conditions to attract capital into the country;
- Establishment of stable rules, which will operate the market;
- Enforcement of these rules by all participants in the securities market.

In 2000, the Concept of state property management and privatization, the implementation of which adopted three programs to improve the efficiency of state property management and privatization.

In order to strengthen state control over strategic sectors of the economy in 2003, the Law of the Republic of Kazakhstan "On state property monitoring in the economic sectors of strategic importance."

During the period from 1991 to the present time been privatized more than 39 thousand objects of state property.

Legislation, any, including in the area of corporate governance should "listen" to the needs of actual practice. As is known, the source of law are the objective material conditions for the development of society. They are a measure and the measure of all innovations. There should be no laws, divorced from the real needs of society and existing conditions. And if such laws are still accepted, the provisions contained in them are known to be "stillborn". There will always be some ways to simulate compliance with such laws or ways to such requirements are not met.

Prior to the introduction of the above changes to the law on joint stock companies, not all companies with a sole shareholder created a Board of Directors. Moreover, many public companies had more than one shareholder, created a board of directors formally. In such companies, the board of directors has not played absolutely no role. In many companies, boards of directors and today is nothing more than a sham. This is absolutely imitation of what is prescribed by the legislation on joint stock companies. It is an imitation. There is nothing surprising in this. It is said in the law that should form the board of directors, that create the company board of directors. The author of these lines had the honor to ask questions to the owners of a number of large domestic companies about what they want the board of directors, which actually is not. Many openly said that if there were no legal requirements for mandatory establishment of a control system of a joint stock company at the same time two parts: the Board of Directors and executive body - it is unlikely that they would certainly create both bodies. Again, the majority of domestic companies board of directors created only to comply with the requirements of the legislation. Management issues in such company decides a pleasure executive body alone or shareholders. Shareholders are, as a rule, either directly descend to the executive body, bypassing the board of directors, or they themselves are represented in the executive body, allowing you to make decisions directly. In the other, no

less common cases, the main shareholders of the companies themselves are part of the Board of Directors and all decisions on day to day activities of the company are made by the Board of Directors. Executive authority is actually atrophies, it turns into a nominal body which can not take any decision on their own. Meanwhile, shareholders, board members, every day coming into the company as a job, replace the executive body.

The problems described above have been rightly reflected as deficiencies in the assessment of the state of corporate governance in emerging markets, one of the agencies.

5. Conclusion

Choosing the basic model of corporate governance in Kazakhstan, can hardly be considered reasonable categorical in favor of a particular model. At least at this stage. The above management practices in domestic companies shows that a two-tier continental model of corporate governance can not and should not be at this stage of development the only possible. It is impossible to impose the company now. After all, previous experience in this regard is almost there. A current practice shows that in many companies the board of directors and the board operate in a single board of directors, similar to what exists in one linked system. In other words, it is not paradoxical, but some institutions the Anglo-Saxon system, after all, are more comfortable today for our companies, rather than imposed, but closer in spirit to continental. Needless to say that many institutions corporate governance best practices borrowed from the Anglo-Saxon continental system. But the most important thing is that one linked model in some cases, is more practical. And it is unlikely the problem of our board of directors is only ignorance of members of the Board of Directors regarding the best practices of corporate governance. Though, and it largely takes place. There are other reasons that the owners of the companies are constantly, so to speak, "at the helm." This is explained by the high concentration of shares in the hands of the controlling shareholders, and complete trust management, and the fact that many companies intentions to share control, attracting the money directly in the stock market. At this stage, when the previous experience of civilized corporate governance actually is not, and the current model does not fully meet the needs of local companies, we believe it would be right not to impose the companies that do not correspond to the reality, and provide an alternative use one linked model of corporate governance, or a two-tier. The fact is that, as we have shown above, actually one linked model of corporate governance in a hidden form exists and is fairly common. From the fact that the legislation is not provided, the substance does not change, moreover, we get a few perverted picture, trying to implement best practices articulated management system, where actually acts one linked.

In light of the great interest in the experience of France, which provided an opportunity for domestic companies, including the listing, choose between one- and two-tier systems management. Moreover, given the freedom and the possibility of differentiation or combination of positions Chairman of the Board

and Chairman of the Board of Directors of their choice. This approach allows companies to choose for themselves a more acceptable management model, guided by the individual characteristics of the company. This flexibility allows, on the one hand, to take into account the specifics of the company, on the other - to set certain limits dictated by the best practices of corporate governance. The example of the Japanese model also shows a certain freedom for domestic companies to choose between one of the two, albeit somewhat different from the traditional models of governance. And in fact, in both cases, we are seeing some concern, manifested in the need to adapt the proposed changes, the recommendations of best practice under real conditions.

In conclusion, it should be noted that a fairly common today is a situation where domestic reformers, act without any consideration of local features. They often hide behind the fact that it is recommended reputable international organizations. But we should not forget that this is just a recommendation of no more than recommendations, they do not oblige anyone to implement everything, taking a fully accountable for the results. Recommendations should be used carefully, with all the features that local reformers need to be more familiar with.

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