

KAZAKHSTAN STOCK EXCHANGE

Approved

by the decision of Kazakhstan
Stock Exchange Management Board
(meeting minutes No. 1 of January 8, 2013)

Effective

as of February 10, 2014

REQUIREMENTS

for DMA Systems of Members of Kazakhstan Stock Exchange and Their Use

Almaty

2014

List of amendments

1. Change No. 1:

- approved by a decision of the Management Board of Kazakhstan Stock Exchange JSC (Minutes No.103 of the meeting dated September 5, 2019);
- effective from December 3, 2019;

These Requirements have been developed in accordance with the Rules of Providing Direct Access to the Regulated Securities Market approved by a decision the Board of Directors of Kazakhstan Stock Exchange (hereinafter – the Exchange) (meeting minutes No. 29 of November 28, 2013) and they set requirements for DMA¹ systems of Exchange members, as well as for the main terms and procedure of provision by Exchange members to their DMA-clients² of direct access to the regulated securities market (hereinafter – direct access).

1. The DMA system used by an Exchange member must:
 - 1) broadcast to DMA-clients in real time from the Exchange's trading system (taking into account the requirement set in item 2 of these Requirements):
 - data on financial instruments circulating in the Exchange's trading system and their prices (according to existing orders for conclusion of deals and deals concluded);
 - data on the progress and results of the trades in financial instruments circulating in the Exchange's trading system;
 - 2) allow DMA-clients:
 - to generate client orders;
 - to forward client orders in the electronic form to the Exchange member so that he carries out procedures of registering, checking, verification, accounting and execution of client orders;
 - to fix the exact time of forwarding client orders to the Exchange member;
 - 3) generate orders for conclusion of deals in the Exchange's trading system based on client orders received by the Exchange member through the DMA system and registered by himself and submit such orders to the Exchange's trading system;
 - 4) provide to DMA-clients in real time exact data (taking into account the requirement set in item 2 of these Requirements):
 - on statuses of client orders subject to registration, check, verification and execution;
 - on statuses of client orders generated by the DMA system based on client orders received by the Exchange member through the DMA system and registered by him;
 - on statuses and stages of confirming deals concluded in the Exchange's trading system based on mentioned orders;
 - on execution of mentioned orders or reasons for their non-execution;
 - on positions and/or available (full or partial) security for submission of orders and/or conclusion of deals in the Exchange's trading system;
 - 5) allow DMA-clients in accordance with internal documents of the Exchange to change terms of orders generated by the DMA system based on client orders received by the Exchange member through the DMA system and registered by himself, or annul such orders;

¹ In accordance with the Rules of Providing Direct Access to the Regulated Securities Market approved by a decision of the Board of Directors (meeting minutes No. 29 of November 28, 2013), DMA system is a set of software and technical means of an Exchange member which interacts with the set of software and technical means of the Exchange and is designed for conclusion of deals in the Exchange's trading system based on orders generated based on client orders of DMA-clients.

² In accordance with the Rules of Providing Direct Access to the Regulated Securities Market approved by a decision of the Board of Directors (meeting minutes No. 29 of November 28, 2013), DMA-client is a client of an Exchange member using the DMA system for conclusion by the Exchange member in his name of deals in the Exchange's trading system on behalf of and/or at the account of and/or in the interest of that client.

- 6) allow an Exchange member to generate and send to DMA-clients notifications on refusals to execute their client orders generated with the use of a DMA system, with indication of reasons for such refusals³.
2. The time interval between the moments of updating of information at the gateway and at the working place of a DMA-client in the DMA system must not exceed 60 seconds.
3. Apart from requirements indicated in items 1 and 2 of these Requirements, the DMA system being used by an Exchange member must allow setting at least the following limits for DMA-clients:
 - 1) maximum volume of one client order (in money terms and/or units of a financial instrument)⁴;
 - 2) limits of deviation in prices of financial instruments indicated in client orders⁵;
 - 3) maximum validity period of an order of a DMA-client;
 - 4) other limits in accordance with prohibitions, restrictions and special terms set by the legislation of the Republic of Kazakhstan and internal documents of the Exchange.
4. Description of the DMA system being used by an Exchange member must contain the following data (but not limited only to them):
 - 1) on the operating system, data base management systems and gateway being used for operation of the DMA system and its connection to the Exchange's trading system;
 - 2) on indicators of performance of the DMA system, including:
 - on the maximum number of orders which can be generated by the DMA system based on client orders received by an Exchange member through the DMA system and registered by himself, and submitted to the Exchange's trading system, within one second;
 - on the maximum number of simultaneously maintained DMA-clients on one server of the Exchange member;
 - on the time interval necessary for generation in the DMA system of a client order and activation of the respective order in the Exchange's trading system;
 - on the time interval necessary for transmission of data from the Exchange's trading system to the DMA system or to the working place of a DMA-client in the DMA system;
 - on the time interval between the moments of updating of information at the gateway and the working place of a DMA-client in the DMA system;
 - 3) on the terms and procedure of copying, backing up and archiving of data ensuring the failure-free operation of the DMA system;
 - 4) on the electronic digital signature and/or data's cryptographic protection systems being used in the DMA system for ensuring confidentiality and changelessness of data being transmitted and received by the DMA system (taking into account the requirement set in item 5 of these requirements);

³ E.g., due to the DMA-client violating the limit set for him; due to annulation of the order generated based on the client order of the DMA-client; due to the failure to execute the deal, which was concluded in the Exchange's trading system based on the order generated based on the client order of the DMA-client.

⁴ E.g., in accordance with values indicated in article 4 of the act of the Republic of Kazakhstan "On countering legalization (laundering) of revenues obtained in an unlawful way and financing of terrorism".

⁵ E.g., in accordance with values set by the legislation of the Republic of Kazakhstan or internal documents of the Exchange with regard to prices indicated in orders of Exchange members.

- 5) on the terms and procedure:
 - of operating the launch of the DMA system and stopping its operation;
 - operation of connection of the DMA system to the Exchange's trading system and disconnection of the DMA system from the Exchange's trading system;
 - control of the state of connection of the DMA system to the Exchange's trading system;
 - 6) on conditions of setting and applying of limits set in the DMA system in accordance with item 3 of these Requirements;
 - 7) on the terms and procedure of administration of:
 - limits set in the DMA system in accordance with item 3 of these Requirements;
 - rights, prohibitions, restrictions, special terms set in the DMA system with regard to a particular DMA-client;
 - settings of procedures of processing of client orders of DMA-clients;
 - 8) on the terms and procedure of execution by an Exchange member of procedures of registration, checking, verification, accounting and execution of client orders he received through the DMA system;
 - 9) on functions maintained by the DMA system, e.g. on sectors of the regulated securities market to which DMA clients are provided direct access, on types of orders which can be generated by the DMA system based on client orders received by an Exchange member through the DMA system and registered by himself, on types of news, charts, notifications (notices), broadcasted (provided) to DMA-clients through the DMA system;
 - 10) clarification materials (schemes, drawings, screenshots to particular data out of those stipulated by this item);
 - 11) other data allowing objective evaluation of the DMA system and the level of its compliance with norms of the legislation of the Republic of Kazakhstan⁶ and internal documents of the Exchange.
5. In case of using in the DMA system of an electronic digital signature registered in accordance with the legislation of a state other than the Republic of Kazakhstan, the Exchange member must at short notice from any interested party provide to it data on that signature and its registration, as well as provide it with a copy of the registration certificate confirming such registration, for information and/or copying.
 6. The agreement on rendering of brokerage services (being) concluded by an Exchange member with a DMA-client, must contain the following norms:
 - 1) on requirements of the Exchange member for the financial position (strength) of a DMA-client, software and hardware at the working place of a DMA-client, as well as – if the DMA-client is a legal entity – for the contents of the DMA-client's investment declaration or other document determining his investment preferences, for the organization of the DMA-client's risk management system;
 - 2) on the obligation of the Exchange member to provide the DMA-client with the description of the DMA system and user guide, as well as on keeping of those description and user guide up to date;
 - 3) the need for a DMA-client to know the content of the legislation of the Republic of Kazakhstan and internal documents of the Exchange regulating the terms and procedure for concluding deals in the Exchange's trading system and their execution, especially internal documents of the Exchange on issues of providing direct access, operation of the control

⁶ E.g., on norms of the Instruction to software and technical means and other equipment, necessary for executing activities on the securities market, approved by resolution No. 165 of the Management Board of the National Bank of the Republic of Kazakhstan of April 28, 2012, norms of the Rules of executing brokerage and dealing activities on the securities market of the Republic of Kazakhstan approved by Resolution No. 317 of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations of August 27, 2005.

and assurance system, professional ethics and business conduct (*this sub-item has been changed by a decision of the Exchange Board of Management dated September 5, 2019*);

the need for the DMA-client to know the amount of fees and other charges of the Exchange and other subjects of the organised securities market, as well as the amount of penalties for violations of the terms and procedure for concluding transactions in financial instruments;

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- 4) on the inadmissibility of generation and transmission by a DMA-client of client orders and performing by him of other actions which lead or can lead to violation of norms of the legislation of the Republic of Kazakhstan, internal documents of the Exchange, as well as to derogation from good business practices;
- 5) on limits, rights, prohibitions, restrictions, special terms (being) set with regard to the DMA-client in the DMA system and/or trading system of the Exchange, on values of such limits;
- 6) on the possibility of annulment (without the DMA-client knowing, wishing or consenting, in accordance with the legislation of the Republic of Kazakhstan and/or internal documents of the Exchange) of orders for conclusion of deals in the Exchange's trading system generated by the DMA system based on the DMA-client's client orders received by an Exchange member through the DMA system and registered by himself;
- 7) on the terms and procedure of annulment (without the DMA-client knowing, wishing or consenting, in accordance with internal documents of the Exchange member⁷) of orders for conclusion of deals in the Exchange's trading system generated by the DMA system based on the DMA-client's client orders received by an Exchange member through the DMA system and registered by himself;
- 8) on the possibility of failed deals which were concluded in the Exchange's trading system generated by the DMA system based on the DMA-client's client orders received by an Exchange member through the DMA system and registered by himself;
- 9) on execution of monitoring by an Exchange member, the Exchange and government body on supervision and control of the financial market and financial organizations of:
client orders generated with the use of the DMA system;
orders for conclusion of deals in the Exchange's trading system generated by the DMA system based on the DMA-client's client orders received by an Exchange member through the DMA system and registered by himself;
deals which were concluded in the Exchange's trading system based on orders generated by the DMA system based on the DMA-client's client orders received by an Exchange member through the DMA system and registered by himself;
- 10) on the possibility of drawing the DMA-client to responsibility for violation of the terms and procedure of execution of deals;
- 11) on the ban on transfer by a DMA-client of the right of direct access on to third parties and on rendering by the DMA-client of services on provision of direct access to third parties;
- 12) on the terms and procedure of suspension, resumption and discontinuation of a DMA-client admission to the DMA system.

President

A. Joldasbekov

⁷ E.g., in cases when an Exchange member has grounds to believe that conclusion of a deal leads or can lead to violation of norms of the legislation of the Republic of Kazakhstan, internal documents of the Exchange, and internal documents of an Exchange member.