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## Abbreviations used in the text

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<b>AVMEKAM</b>	special state foreign exchange bonds of the Ministry of Finance of the Republic of Kazakhstan (Kazakh);
<b>APF</b>	Accumulative Pension Fund;
<b>BB</b>	branch bank;
<b>bn</b>	billion;
<b>CJSC</b>	closed joint-stock company;
<b>CS</b>	corporate securities;
<b>CSD</b>	Central Securities Depository CJSC;
<b>DEM</b>	Deutsche mark;
<b>EUR</b>	common European currency EURO;
<b>GFER</b>	gold & foreign exchange reserves;
<b>GS</b>	government securities;
<b>ISMA</b>	International Securities Market Association;
<b>KASE</b>	Kazakhstan Stock Exchange CJSC (official abbreviation);
<b>KIBOR</b>	indicative average values of offering rates of interbank deposits in Kazakhstan;
<b>KIBID</b>	indicative average values of borrowing rates of interbank deposits in Kazakhstan;
<b>KICS</b>	Kazakhstan Interbank Settlements Centre, national state enterprise;
<b>KIMEAN</b>	indicative average values between offering and borrowing rates of interbank deposits in Kazakhstan;
<b>KZT</b>	Kazakhstani tenge;
<b>LIBOR</b>	short-term credit rates, offered by London banks, usually for 3-6 month term;
<b>LLP</b>	limited liability partnership;
<b>m</b>	million;
<b>MEAKAM</b>	special state treasury bills of the Ministry of Finance of the Republic of Kazakhstan with 10 years maturity (Kazakh);
<b>MEIKAM</b>	state indexed treasury bills of the Ministry of Finance of the Republic of Kazakhstan (Kazakh, inflation indexed);
<b>MEKAVM</b>	state foreign exchange treasury bills of the Ministry of Finance of the Republic of Kazakhstan (Kazakh);
<b>MEKAM</b>	state treasury bills of the Ministry of Finance of the Republic of Kazakhstan (Kazakh, normally applied to all securities irrespective of maturity term);
<b>MEKKAM</b>	state short-term treasury bills of the Ministry of Finance of the Republic of Kazakhstan with up to 1 year maturity term;
<b>MEOKAM</b>	state middle-term treasury bills of the Ministry of Finance of the Republic of Kazakhstan with 2 years maturity term (Kazakh);
<b>NCS</b>	National Securities Commission of the Republic of Kazakhstan;
<b>NSB</b>	National Saving Bonds of the Ministry of Finance of the Republic of Kazakhstan;
<b>NSE</b>	National State Enterprise;
<b>OJSC</b>	Open Joint-stock Company;
<b>PAMC</b>	Pension Assets Management Company;
<b>PAPF</b>	Private Accumulative Pension Fund;
<b>SAPF</b>	State Accumulative Pension Fund CJSC;
<b>SBS</b>	state block of shares;
<b>SPOT</b>	settlement term, when liabilities on a deal are fulfilled after one business day deal was concluded;
<b>SSL</b>	Sector of small lots at KASE;
<b>STB</b>	second-tier bank (unlike the National Bank of Kazakhstan);
<b>TOD</b>	settlement term, when liabilities on a deal are fulfilled on the same day ("today") deal was concluded;
<b>TOM</b>	settlement term, when liabilities on a deal are fulfilled on the next day deal was concluded;
<b>USD</b>	the dollar of the United States of America.

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*Wherever the present report does not refer to the sources of the information hereinafter, it suggests the Exchange has employed the data its staff collected and systematised as part of their activities.*

## AUTHORISED CAPITAL AND SHAREHOLDERS

As of the end of 2000 the KASE authorised paid-up capital was **KZT79,209,360.00**, which was divided into 216 ordinary registered shares with a face value worth of KZT366,710.00. Within the year one organisation joined the Exchange, while three withdrew. As a result, the number of shareholders fell to 29. The list of shareholders is given in the table below (Tab. 1).

**Tab. 1: List of KASE shareholders as of January 1, 2001**

<b>№</b>	<b>Full official title of the KASE shareholder</b>	<b>Stake in authorised capital, %</b>
1	National Bank of Kazakhstan	25.00
2	Open joint stock company Bank Caspian	6.48
3	Open joint stock company Kazakh joint stock agricultural-industrial bank	4.17
4	Open joint stock company KAZKOMMERTSBANK	3.70
5	Closed joint stock company KAZAKHSTAN-ZIRAAT-INTERNATIONAL BANK	4.17
6	Open joint stock company Bank CenterCredit	6.02
7	Open joint stock company HALYK SAVINGS BANK OF KAZAKHSTAN	3.24
8	Open joint stock company Bank TuranAlem	4.17
9	Closed joint stock company Turkish-Kazakhstani International Bank	4.17
10	Closed joint stock company Central Asian Bank of Cooperation and Development	4.17
11	Closed joint stock company ABN AMRO BANK KAZAKHSTAN	4.17
12	Closed joint stock company Almaty Merchant Bank	3.70
13	Open joint stock company International Bank - Alma-Ata	3.70
14	Open joint stock company NEFTEBANK	4.17
15	Open joint stock company Kazkommerts Securities	0.46
16	Open joint stock company Kazakhstan Financial Company	0.46
17	Open joint stock company FINANCIAL GROUP GREENWICH CAPITAL MANAGEMENT	0.46
18	Limited liability partnership INVESTMENT MANAGEMENT GROUP	0.46
19	Closed joint stock company Company CAIFC	0.46
20	Open joint stock company DB SECURITIES KAZAKHSTAN	0.46
21	Closed joint stock company Fondovyi sindikat	0.46
22	Closed joint stock company RBNT SECURITIES	0.46
23	Closed joint stock company GLOBAL SECURITIES (KAZAKHSTAN)	0.46
24	Limited liability partnership KIB ASSET MANAGEMENT Ltd	0.46
25	Limited liability partnership KBS Securities	0.46
26	Closed joint stock company CITIBANK KAZAKHSTAN	2.78
27	Open joint stock company Senim-Bank	0.93
28	Open joint stock company Demir Kazakhstan Bank	2.78
In the account of the KASE due to share repurchases (due to the loss of the professional market participant status by a shareholder)		7.41
<b>TOTAL</b>		<b>100,0</b>

## TRADE MEMBERS

**Tab. 2: Change in the number of KASE members in various categories in 2000**

Membership category	As of 01.01.00 <sup>1</sup>	As of 01.01.01
Category "B"	32	29
Category "C"	5	6
Category "K"	40	42
Category "P"	25	33
Category "H"	22	20
<b>TOTAL</b>	<b>58</b>	<b>55</b>

**"B"** right to participate in foreign currency trades;

**"C"** right to participate in futures trades as a clearing (CKE) or trade (CTE) member;

**"K"** right to participate in trades in GS, which are admitted to the circulation at the KASE;

**"P"** right to participate in trades in CS, which are admitted into official list of the KASE securities;

**"H"** right to participate in trades in CS, which are in «Non-listed securities» and SBS sectors.

Trends and developments of the financial market of Kazakhstan during the reported period affected composition of floor trade members.

The banking system developed towards strengthening of the second-tier banks and liquidation of small and unstable financial institutions, whose activity did not meet requirements of the National Bank of Kazakhstan. This policy affected composition of trade members by lowering a number of category "B" members.

Changes in composition of "K" and "P" membership categories reflect several trends. The main is a forced restructuring of the Kazakhstani stock market model. Its infrastructure created in 1997 was designed to meet foreign investor requirements and development of "blue chips" program. Suspension of the program and development of the pension reform during last three years have shifted the market's composition towards domestic institutional investors, PAMC and second-tier banks. This led to significant worsening of financial conditions and consecutive closure of large number of small broker-dealer companies created in some cases by foreign entities under the "blue chips" program. They have been replaced by new brokerage firms with other founders, whose activity is oriented to domestic investor and who are not refusing to work with Kazakhstan government securities. Development of corporate bonds market forced banks to apply for general licenses and to start operations with securities, either directly or through founded affiliated broker-dealer companies. Increasing amount of bonds circulating at the market prompted PAMC to expand operations at the primary and secondary market of corporate securities. Steady growth of the country's monetary base and deposits of second-tier banks increased demand on existing financial instruments thus sharply lowering their yields. On the other hand, the same factors allowed the Ministry of Finance to expand issues of two- and three-year MEOKAM with relatively high yields and to issue inflation indexed GS. In terms of deficit of financial instruments, both types of government securities looked rather attractive compared to major corporate bonds issues, thus increasing their popularity among banks, PAMC and broker-dealer companies. Another important development is expansion of the repo sector at KASE that raised interest among all categories of the financial market professional participants.

Changes in composition of the trade members (in particularly in categories "K" and "P"), affected by trends and developments described above, are presented in Table 2.

### Category "B"

**Excluded** from membership on this category: Kazakh Joint-stock Agro-industrial Bank OJSC (02.08.00), ABIDBANK OJSC (02.08.00), KAZAKH INTERNATIONAL BANK OJSC (01.01.00).

### Category «C»

**Admitted** to membership on this category: Tasbaka Asset management LLP (15.03.00) as a trade member.

### Category «K»

**Excluded** from membership on this category: Regent European Securities (Kazakhstan) CJSC (11.02.00), MINARET GROUP SECURITIES foreign enterprise LLP (04.04.00), Kazakh Joint-stock Agro-industrial Bank OJSC (08.09.00) and Dom tsennykh bumag EASTBROKERS LLP (01.11.00).

**Admitted** to membership on this category: Demir Kazakhstan Bank OJSC (07.01.00), Central Asian Trust Company LLP (11.02.00), TuranAlem Securities LLP (11.02.00), Tasbaka Asset management LLP (15.03.00), RBNT SECURITIES CJSC (22.05.00) and HSBC Bank Kazakhstan AB CJSC (14.12.00).

<sup>1</sup> The data differs from those given in 1999 report of the KASE due to an incorrect information presented in that report regarding the date when Reagent European Securities (Kazakhstan) CJSC was expelled from the membership of the Exchange.

Tab. 3: List of KASE members as of January 1, 2001

Brief title of the KASE member	Категория членства				
	"В"	"С"	"К"	"Р"	"Н"
1 National Bank of Kazakhstan	✓		✓		
2 Bank TuranAlem OJSC	EPP <sup>2</sup>	CKE <sup>3</sup>	✓	✓	
3 BANK CASPIAN OJSC	EPP		✓	✓	
4 International Bank - Alma-Ata OJSC	EPP		✓		
5 HSBC Bank Kazakhstan CJSC			✓	✓	
6 Businessbank OJSC	EPP	CTE <sup>4</sup>			
7 ALASH BANK CJSC	EPP				
8 Demir Kazakhstan Bank CJSC	EPP		✓	✓	
9 CHINA BANK IN KAZAKHSTAN CJSC	✓				
10 CITIBANK KAZAKHSTAN CJSC	EPP		✓		
11 NURBANK OJSC	EPP				
12 KAZKOMMERTSBANK OJSC	EPP		✓	✓	
13 KAZAKHSTAN-ZIRAAT-INTERNATIONAL BANK CJSC	✓		✓		
14 Kazprombank OJSC	EPP				
15 Irtyshtbusinessbank OJSC	EPP				
16 Halyk Bank of Kazakhstan OJSC	EPP		✓	✓	
17 Turkish-Kazakhstani International Bank CJSC	EPP				
18 Temirbank OJSC	EPP		✓	✓	
19 TexaKaBank OJSC	EPP		✓	✓	
20 Bank CenterCredit OJSC	EPP		✓	✓	
21 Tsesnabank OJSC	EPP				
22 NEFTEBANK OJSC	EPP				
23 Central Asian Bank for Cooperation and Development CJSC	✓				
24 ABN AMRO BANK KAZAKHSTAN CJSC	✓		✓	✓	
25 Eximbank Kazkhstan CJSC	EPP		✓		
26 Senim-bank OJSC	EPP				
27 Alfa-bank OJSC	EPP		✓		
28 Eurasian bank CJSC	EPP		✓	✓	
29 Almaty Merchant Bank CJSC	EPP		✓	✓	
30 LARIBA BANK OJSC	EPP		✓		
31 KBS SECURITIES LLP			✓	✓	✓
32 DB SECURITIES (KAZAKHSTAN)			✓	✓	✓
33 Kazkommerts Securities OJSC			✓	✓	✓
34 Fondovyi sindikat CJSC			✓	✓	✓
35 Company CAIFC CJSC			✓	✓	✓
36 Kazakhstan Financial Company OJSC			✓	✓	✓
37 FINANCIAL GROUP GREENWICH CAPITAL MANAGEMENT OJSC			✓	✓	✓
38 ATERA capital LLP		CTE	✓	✓	✓
39 INVESTMENT MANAGEMENT GROUP LLP			✓	✓	✓
40 Informationsionno-uchetnyi tsentr NSE					✓
41 PETROKAZ CAPITAL LLP			✓	✓	✓
42 ECON-INVESTSERVICE LLP					✓
43 RBNT SECURITIES LLP CJSC			✓	✓	✓
44 GLOBAL SECURITIES (KAZAKHSTAN) CJSC			✓	✓	✓
45 KIB ASSET MANAGEMENT Ltd LLP			✓	✓	✓
46 R.G.Securities LLP		CTE	✓	✓	✓
47 Fondovyi servis CJSC			✓	✓	✓
48 Ak-nyiet Pension Assets Management Company CJSC			✓	✓	
49 TuranAlem Securities LLP		CTE	✓	✓	✓
50 Halyk Bank of Kazakhstan Pension Assets Management Company CJSC			✓	✓	
51 State Accumulative Pension Fund CJSC			✓		
52 PAMC JETYSU CJSC			✓	✓	
53 Kazpost OJSC			✓		
54 Central Asian Trust Company LLP			✓	✓	✓
55 Tasbaka Asset management LLP		CTE	✓	✓	✓
<b>Total</b>	<b>29</b>	<b>6</b>	<b>42</b>	<b>33</b>	<b>20</b>

<sup>2</sup> Members of Early Payment Processing – settlements on immediate delivery terms.

<sup>3</sup> Clearing member on futures.

<sup>4</sup> Trade member on futures.

#### **Category «P»**

**Excluded** from membership on this category: Regent European Securities (Kazakhstan) CJSC (11.02.00), Kazpost OJSC (04.04.00), MINARET GROUP SECURITIES foreign enterprise LLP (04.04.00), and Dom tsennykh bumag EASTBROKERS LLP (01.11.00).

**Admitted** to membership on this category: Demir Kazakhstan Bank OJSC (07.01.00), Central Asian Trust Company LLP (11.02.00), Halyk Bank Kazakhstan OJSC (17.02.00), Bank CentreCredit OJSC (22.02.00), Tasbaka Asset management LLP (15.03.00), Almaty merchant bank CJSC (30.03.00), Bank TuranAlem OJSC (24.04.00), RBNT SECURITIES CJSC (22.05.00), BANK CASPIAN (23.06.00), TEMIRBANK OJSC (28.07.00), Eurasian bank OJSC (25.08.00) and HSBC Bank Kazakhstan AB CJSC (14.12.00).

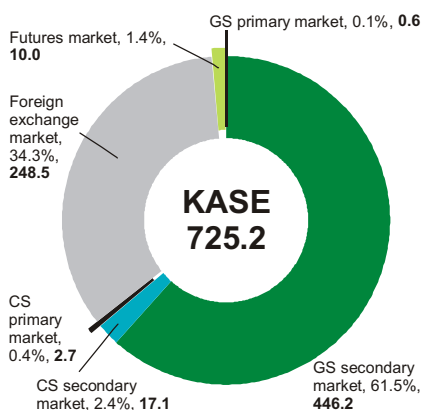
#### **Category «H»**

**Excluded** from membership on this category: Regent European Securities (Kazakhstan) CJSC (11.02.00), Kazpost OJSC (04.04.00), MINARET GROUP SECURITIES foreign enterprise LLP (04.04.00), KAMAL TRUST COMPANY LLP (08.09.00) and Dom tsennykh bumag EASTBROKERS LLP (01.11.00).

**Admitted** to membership on this category: Central Asian Trust Company LLP (11.02.00), Tasbaka Asset management LLP (15.03.00), and RBNT SECURITIES CJSC (22.05.00).

## VOLUME AND STRUCTURE OF THE STOCK EXCHANGE MARKET

**Fig. 1: Volume and structure of Kazakhstan stock exchange market in 2000 (KZT, bn)**



During the year 2000, KASE has organised trades involving foreign currencies, government securities (including bonds of local municipal authorities)<sup>5</sup>, corporate securities and futures contracts. The stock exchange conducted initial public offerings of municipal and corporate bonds. Participants of GS and CS sectors had an opportunity to conclude repo-deals using specialised floors at both sectors. Besides, in the second half of reported period, the stock exchange started to form time-series of interbank deposit market indicators on the regular basis. The data included rates of interbank deposits, KIBOR, KIBID and KIMEAN for different offering (borrowing) periods.

Like a previous year, reporting period was outstanding for Kazakhstan stock market fully reflecting successful economic development of the country. The total all-sectors turnover of the organised financial market increased to KZT725.2bn from 442.1bn in 1999 (1.64 times) or, in dollar terms, from \$3,535.3m to \$5,077.8m (1.44 times). The turnover figure amounts to 27.9% of GDP (in 1999 - 21.9%). It is worth to mention that the organised component of the financial market has never controlled such a high cash circulation. Growth of operational volumes was observed in most sectors of the stock market (Tab.4). The corporate securities sector registered highest growth figures, 613.1% or 7.1 times, providing most positive trend of the year. The reason is, first of all, a dynamic development of corporate bonds market. Significantly increased offering and circulation volumes of bonds was supported by much higher demand from PAMC. Continuous growth of pension assets and deposits of second-tier banks has put a need (required) for expansion of investments to the real sector. This need was partly covered by corporate bonds market. Increased volume of repo deals has also played important role in expanding of the CS stock market. In 2000, the share of repo operations equalled 16.0% of total deals with CS and 18.6% of deals on the secondary market.

The results of stock exchange deals with GS produced a notable, three time increase of operations (by 176.8% or 2.8 times compared to 1999). The main reason is large inflow of money to the financial market. These funds could not be used in the real sector in short term as to assure their solid distribution. Created imbalance was sustained by narrowing of monetary base in last months of 2000 and led to substantial growth of the GS secondary market.

Narrowing of the foreign exchange sector turnover against 1999 related to enforcement of requirement on obligatory sale of export proceeds (goods and services) between 05.04.99 and 15.11.99. The share of stock exchange operations with foreign currencies fell down after cancellation of this requirement.

Thus, the structure of KASE turnover has undergone significant changes (Fig.1): foreign exchange sector became second in terms of volume after GS sector. In other respects, shifts in the turnover structure are not fundamental. Despite largest growth rate of CS market, this sector controlled only 2.72% of the total turnover (0.63% in 1999).

**Tab. 4: Comparable data on KASE turnover and that of its structures in 1999 and 2000**

Market sector	KZT, bn						USD, m			
	1999 год		2000 год		Trend		1999 год		2000 год	
	Vol.	%	Vol.	%	Vol.	%	Vol.	%	Vol.	%
Foreign exchange sector	269,0	60,9	248,5	34,3	-20,5	-7,6	2 124,8	60,1	1 743,4	34,3
Government Securities sector	161,5	36,5	446,9	61,6	+285,4	+176,8	1 327,6	37,6	3 129,0	61,6
Corporate Securities sector	2,8	0,63	19,7	2,72	+17,0	+613,1	21,6	0,61	138,5	2,73
Futures sector	8,8	1,99	10,0	1,38	+1,2	+13,7	61,3	1,73	66,9	1,32
<b>TOTAL</b>	<b>442,1</b>		<b>725,2</b>		<b>+283,1</b>	<b>+64,0</b>	<b>3 535,3</b>		<b>5 077,8</b>	
									<b>+1 542,5</b>	<b>+43,6</b>

<sup>5</sup> To keep it short, hereafter this type of the securities are called municipals.



**Ta6. 5: Dynamics of KASE trade listings**

Admis- sion category	As of 01.01.00 secu- rities	is- suers	As of 01.01.01 secu- rities	is- suers
A	13	8	25	14
B	16	9	14	9
<b>A+B</b>	<b>29</b>	<b>17</b>	<b>39</b>	<b>23</b>
N1	3	3	1	1
N2	56	46	41	30
<b>N1+N2</b>	<b>59</b>	<b>49</b>	<b>42</b>	<b>31</b>
<b>TOTAL</b>	<b>88</b>	<b>66</b>	<b>81</b>	<b>54</b>

**A:** official listing, category "A";

**B:** official listing, category "B";

**A+B:** official listing;

**N1:** «Non-listed securities» sector, first admission level;

**N2:** «Non-listed securities» sector, second admission level;

**N1+N2:** «Non-listed securities» sector.

## CORPORATE SECURITIES MARKET

Within the reported period, as well as in 1999, there were two sectors for securities: the stock exchange and the over-the-counter (OTC). The exchange data based on weekly reports of licensed (professional) participants of the stock market state that volume of OTC deals concluded by broker-dealers in 2000 was KZT15,767.5 th. or less than 0.1% of the KASE turnover. However, the mentioned reports do not cover all OTC market. Thus, it is impossible to estimate the real volume of total operations and the share of organised component of the market.

In the reported period, main efforts of KASE were, first of all, directed to expansion of CS sector regarding its closest link to the real sector of economy. The efforts resulted in record growth of operations with corporate securities. Nevertheless, this sector is still next to last in absolute terms compared to other KASE sectors. The main reason for that is underdevelopment of the equity market.

At the same time, major institutional investors became stronger during the year. The gross equity capital of banking sector grew by 43% up to KZT98.7bn. The net profit of banks equalled KZT7.8bn<sup>6</sup>. Net pension assets of APF increased by 74.6% (KZT48.1bn) and reached KZT112.6bn<sup>7</sup> (\$774.8m).

On the other hand, performance of leading domestic companies also looked rather admirable. Gross assets of nine companies from the financial sector, whose securities were admitted into official listing of KASE increased by KZT137.7bn (60.0%) and reached KZT367.2bn. Their gross equity capital grew by 41.5% up to KZT13.2bn. Total net profit exceeded KZT7.0bn growing by KZT0.919 or 15.1%. The equity capital of non-financial sector represented by 13 listing companies grew by 47.8% up to KZT462.4bn for 9 months of 2000. The sales volume increased by 16.6% (KZT60.8bn) up to KZT425.8bn. Net profit equalled KZT75.8bn and increased compared to previous year (9 months of 1999) by KZT26.6bn or 54.0%.

Underdevelopment of the equity market, and consequent impossibility to earn stable income from equities prompted domestic investors to look closely towards corporate bonds. This instrument became popular on the market since second half of 1999. In 2000, this trend has sharply transformed the stock market and turned into first "corporate bonds boom" in Kazakhstan. For the first time, banks and companies prompted exclusively by their own initiatives have started to submit bonds for admission into category "A". This implied an access to such powerful investors as pension funds.

High demand for bonds positively affected their profitability and forced banks to lower loan interest rates under competitive pressure of corporate bonds market. Investors' funds became accessible not only for large companies but for middle-sized as well. Some of them have succeeded in floating their bonds and received relatively cheap money for production development.

Thus, the reported period in corporate securities sector of KASE could be easily marked as a year of corporate bonds regarding their role in expanding the CS market.

## THE STOCK EXCHANGE LISTING

As on Jan. 1, 2001 there were five listings of securities admitted to trades:

- ✦ official listing, category «A» (listing A);
- ✦ official listing, category «B» (listing B);
- ✦ «Non-listed securities» trade sector, first admission level;
- ✦ «Non-listed securities» trade sector, second admission level;
- ✦ listing of state blocks of shares.

No changes have been made to the KASE listing structure during 2000. However, development of the bonds market resulted in division of each trade sector on two sections: bonds and equities.

<sup>6</sup> Data of the National Bank of Kazakhstan on a whole banking system of the country.

<sup>7</sup> Data of NSC.



## Listing requirements

As the tables below show (Tab.6 and Tab.7) there were insignificant changes of listing requirements. They were mainly related to strengthening of requirements regarding fulfilment of obligations to share- and bondholders.

On April 17, 2000 KASE enforced amendments and modifications of requirements for highest admission level. For instance, issuers were obliged to confirm profitability only by auditors from "group of five." There were several other less important modifications and amendments.

On October 17, 2000 KASE enforced amendments and modifications of "Securities Listing Regulation." Banks were additionally required to participate in deposits insurance system represented by Kazakhstan Deposit Insurance Fund CJSC. The requirements for financial companies concerning authorised capital were strengthened. They were exempted from application of category "A" listing regulation regarding admission of securities under special decision of the Exchange Council if the authorised capital of such company maintained at minimal level, \$5m. At the same time, all issuers were obliged to float securities in category "B" on "probation period" before admission to "A" level.

No modifications were put into "B" listing and non-listing regulations. The «Non-listing securities» sector has maintained the same two-level admission system. This system is predetermined by the idea of informational transparency of the market. A broker-dealer company, which introduces securities into the sector at the first admission level, must monitor an issuer and submit to the Exchange all required data about its activity. The second admission level requires minimal disclosure of information about the issuer. The admission to trades is conducted if a company has documents confirming legitimate nature of issue.

From October 01, 2000, new wording of "Instruction of listing commission calculation" was put in force at KASE. New wording sets two types of listing commissions: entrance and annual. The entrance commission equals 0.025% of nominal value of securities. The annual listing commission is accrued on all securities of listed company and local municipal authority beginning from admission date.

The market-makers as an institution of the stock market established in 1999 has proved its viability and importance. The major amendments related to the institution were included into new wording of "Securities Listing Regulation" on December 01, 1999. According to the amendments a company, whose shares or

**Tab. 6: Dynamics of the KASE listing requirements set to issuers of shares**

Requirements	At the beginning of 2000	At the end of 2000
<b>Official list, category «A»</b>		
Independent auditor		from "Big five"
Number of common shareholders or issue floatation		at least 500 or at least \$1m in nominal holding
Number of issued shares		at least 10,000
Volume of deals in last 12 months		at least 0.5% of their total quantity announced at the issue <sup>8</sup>
Life period of the company	not less than 3 years	not less than 3 years <sup>9</sup>
Solvency	for last year or aggregate of three years	for last year or aggregate of three years, confirmed by an auditor from "Big five"
Shareholders' equity	at least \$10m (except for fast growing companies – at least \$5m)	at least \$10m (except for, does not apply to financial organizations, fast growing companies – at least \$5m)
Dividend arrears		not allowed
Arrears on issued bonds	-	not allowed
Participation in deposits insurance (guarantee) system	-	mandatory for banks only
Existence of a market-maker of the shares	-	mandatory from 17.03.00
<b>Official list, category «B»</b>		
Life period of the company		at least 1 year
Number of common shareholders or issue floatation		at least 100 or \$500 th in nominal holding
Number of issued shares		at least 1,000

<sup>8</sup> This requirement was actually not in effect, since NSC has granted a favorable term for the issuers till the end of 2000.

<sup>9</sup> Upon special decision of the Exchange council – not less than 2 years.

Tab. 7: Dynamics of the KASE listing requirements set to issuers of bonds

Requirements	At the beginning of 2000	At the end of 2000
<b>Official list, category «A»</b>		
Independent auditor		from "Big five"
Minimum issue volume		\$100 th., or 1,000 securities
Life period of the company	not less than 3 years	not less than 3 years <sup>9</sup>
Solvency	for last year or aggregate of three years	for last year or aggregate of three years, confirmed by an auditor from "Big five"
Shareholders' equity	at least \$10m (except for fast growing companies – at least \$5m)	at least \$10m (except for, does not apply to financial organizations, fast growing companies – at least \$5m)
Dividend arrears		not allowed
Arrears on issued bonds	-	not allowed
Participation in deposits insurance (guarantee) system	-	mandatory for banks only
Existence of a market-maker of the bonds	-	mandatory from 17.03.00
<b>Official list, category «B»</b>		
Life period of the company		at least 1 year
Minimum issue volume		\$10 th., or 100 securities

bonds are admitted into category "A" of the official listing must have a market-maker over its securities. KASE to enforced this requirement on March 17, 2000. Thanks to this requirement, quotations of all "A" graded securities have been put on floor on a regular basis. This contributed to broadening of the market and lowering of non-market deals at KASE.

## Structure of the listing

### Corporate securities

As of January 01, 2001 the KASE trade lists consisted of 81 securities of 54 companies. The official listing was represented by 39 securities (27 shares and 12 bonds) of 23 companies and the «Non-listing securities» sector by 42 securities (41-1) of 31 issuers. More detailed dynamics of the financial instruments broken down by listing categories, (except SBS) is given in Table 5 and in Figures 2, 3.

The most pronounced trend of the year is a growth in number of securities admitted to highest category level. The same applies to number of issuers as extension of the official listing was mainly based on admission of corporate bonds. Finally, this trend is an outcome of permission given to PAMC to purchase domestic corporate shares and bonds included into category "A" of the KASE listing.

The sharp decrease of instruments traded on the non-listing floor in second quarter 2000 was a result of exclusion from the "Non-listing securities" sector shares of 29 companies made on April 04, 2000. Their individual market capitalisation was lower than \$1m, no quotations or deals have been presented over shares during last three months.

The official listing of the stock exchange securities as of Jan.01, 2001 is presented in tables (Tab. 8 and Tab. 9).

### Market capitalisation

As of Jan.01, 2001, total capitalisation of companies, whose shares were listed at KASE equalled \$1,342.3m or KZT195.2bn<sup>10</sup>. This figure was estimated, first, as a product of number of shares in circulation on last price quoted for a given share, second, as a summing up of resulted figures over each company. As shares were quoted in the U.S. dollars, daily capitalisation of companies has been estimated in this currency. If shares were denominated in Kyrgyz soms (there were three Kyrgyz companies presented at KASE), their face value was presented in U.S. dollars at official exchange rate of Kyrgyz som to tenge set by the National Bank of Kazakhstan unless no deals concluded. The estimation methodology of market capitalisation remained unchanged during the year, thus all figures are comparable to 1999.

<sup>10</sup> The calculation was made at KZT/USD rate of the Exchange, effective on Dec 31.00 - KZT145.4019 per dollar.

Fig. 2: Number of CS admitted to trades in 2000 at the end of the period

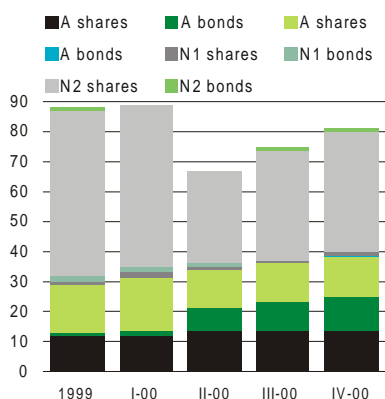
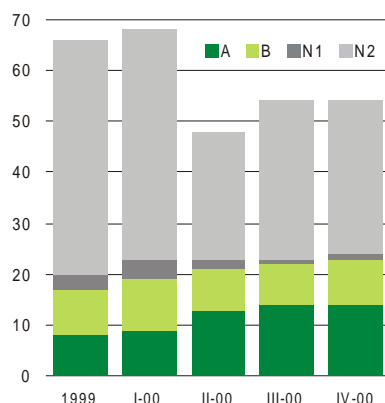


Fig. 3: Number of issuers, whose securities were admitted to trades in 2000



For the reported period, total market capitalisation of companies, whose shares were traded at KASE fell down by \$920.9m or 40.7%. Such sharp decline was caused by exclusion of two companies from “Non-listing securities” sector on April 14, 2000, Aksaigasservice OJSC (Aksai, Western Kazakhstan region) and Uzenmunaigas OJSC (Janaozen, Mangistau region). The decision was made according to application of issuers and to the fact that no deals or quotations were made during consecutive last six months of circulation. As a result, market capitalisation declined by \$695.1m at once. Also, the capitalisation was much affected by mentioned exclusion of 29 companies from the non-listing sector. Another factor is decline of the official exchange rate of Kyrgyz som to tenge that

**Tab. 8: Official listing of corporate securities (bonds) as of January 1, 2001<sup>11</sup>**

Issuer	Code (number)	Admitted to the lists	Issue face value, USD m	Last clean price, or face value, %	Market capitalization, USD m	Share of issue in capitalization
<b>Official listing, category “A”</b>	<b>(11)</b>		<b>175.0</b>		<b>172.403</b>	<b>99.1%</b>
Almaty Kus OJSC	ALKSb	07.04.00	4.5	99.7713	4.490	2.6%
AMB CJSC	ATFBb	26.09.00	5.0	99.5296	4.976	2.9%
Bank CenterCredit OJSC	CCBNb1	15.12.00	4.5	101.2430	4.556	2.6%
Halyk Bank of Kazakhstan OJSC	HSBKb	27.06.00	16.0	100.5986	16.096	9.3%
Karazhanbasmunai OJSC	KARMB1	08.12.00	20.0	*100.0000	20.000	11.5%
KAZKOMMERTSBANK OJSC	KKGBb	31.08.99	30.0	100.00	30.000	
	KKGBb2	27.12.00	20.0	*100.0000	20.000	28.8%
NOC KAZAKHOIL CJSC	KZOLb	19.05.00	25.0	98.1466	24.537	14.1%
NOTC KazTransOil CJSC	KZTOb	20.10.00	30.0	96.9200	29.076	16.7%
Temirbank OJSC	TEBNb	07.08.00	5.0	100.0000	5.000	2.9%
Kazakhstan Temir Joly NSE	TMJLb	23.06.00	15.0	91.1500	13.673	7.9%
<b>Official listing, category “B”</b>	<b>(1)</b>		<b>1.5</b>		<b>1.500</b>	<b>0.9%</b>
VITA LLP	VITAb2	07.12.00	1.5	99.9750	1.500	0.9%
<b>Total under official listing</b>	<b>(12)</b>		<b>176.8</b>		<b>173.903</b>	<b>100.0%</b>

Notes: prices are given in percents of the face value, excluding accumulated interest; marked by an asterisk are the figures where the face value is taken instead of a price (no deals were made in these bonds).

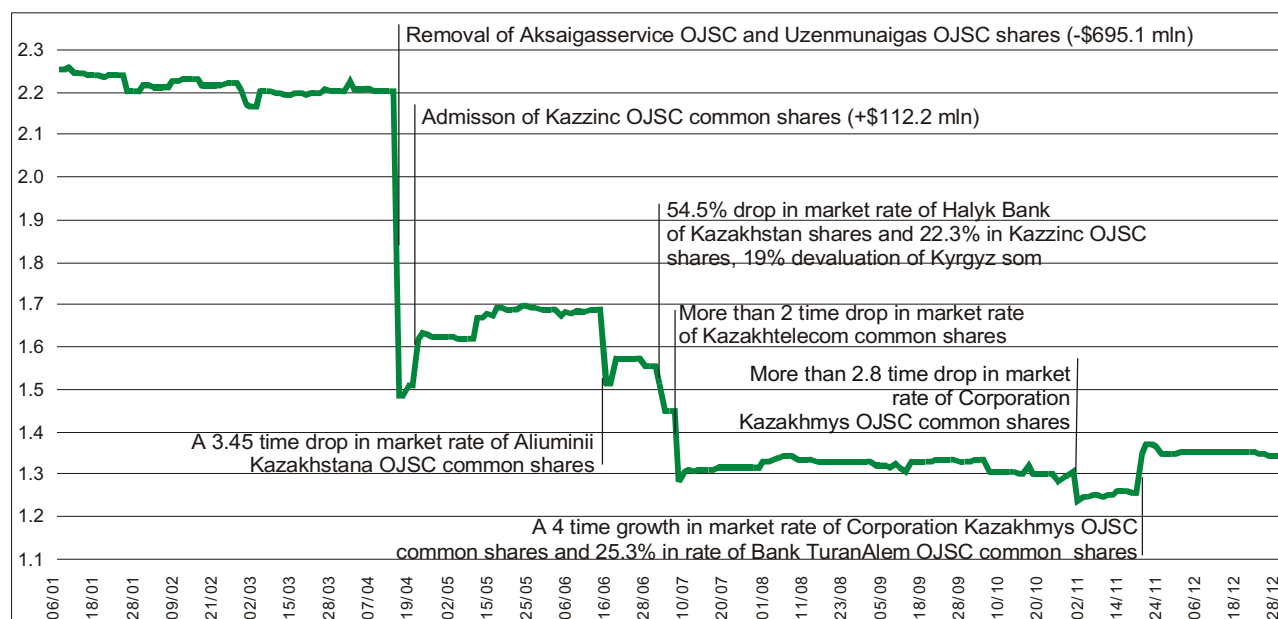
**Tab. 9: Official listing of corporate securities (shares) as of January 1, 2001<sup>11</sup>**

Issuer	Code (number)	Securities	Admitted to the lists	Last price, or face value	Capitalization	
					KZT m	USD m
<b>Official listing, category “A”</b>	<b>(14)</b>				<b>70,073.5</b>	<b>481.930</b>
Almaty Kus OJSC	ALKS	C	03.04.00	0.0701		
	ALKSp	P	03.04.00	0.0701	661.2	4.548
Bank TuranAlem OJSC	BTAS	C	09.09.99	70.99	11,607.7	79.832
Bank CenterCredit OJSC	CCBN	C	28.06.99	1.5078	1,610.6	11.077
Halyk Bank of Kazakhstan OJSC	HSBK	C	29.07.98	0.8324	4,375.4	30.092
KAZKOMMERTSBANK OJSC	KKGB	C	16.10.97	*0.1200	4,980.2	34.251
Kazakhtelecom	KZTK	C	16.10.97	14.50		
	KZTKp	P	16.10.97	8.00	24,440.7	168.091
SHNOS OJSC	SYRG	C	16.10.97	1.6300		
	SYRGp	P	16.10.97	*0.0070	14,677.3	100.943
Temirbank OJSC	TEBN	C	08.10.98	1.095		
	TEBNp	P	08.10.98	*7.014	226.6	1.559
UKTMK OJSC	UTMK	C	16.10.97	50.00		
	UTMKp	P	16.10.97	27.60	7,493.7	51.538
<b>Official listing, category “B”</b>	<b>(13)</b>				<b>45,818.7</b>	<b>315.117</b>
<b>Aluminiy Kazakhstana OJSC</b>	ALKZ	C	16.10.97	0.7900		
	ALKZp	P	16.10.97	0.4200	6,411.3	44.094
<b>Astana-finance OJSC</b>	ASFI	C	17.01.00	7.002	1,574.6	10.829
Bayan-Sulu OJSC	BSUL	C	12.08.98	0.3600	193.0	1.328
TNC KAZCHROME OJSC	KZCR	C	16.10.97	6.000		
	KZCRp	P	16.10.97	2.751	6,537.9	44.965
Corporation Kazakhmys OJSC	KZMS	C	13.05.98	27.00		
	KZMSp	P	13.05.98	3.50	17,603.7	121.069
Mangistaumunaigas OJSC	MMGZ	C	16.10.97	*6.877		
	MMGZp	P	16.10.97	4.000	10,438.8	71.793
Neftebank OJSC	NFBN	C	15.04.98	8.770	702.4	4.831
VALUT-TRANZIT BANK OJSC	VTBN	C	19.05.00	2.5572		
	VTBNp	P	19.05.00	2.3033	2,356.9	16.209
<b>Total under official list</b>	<b>(27)</b>				<b>115,892.2</b>	<b>797.047</b>

Notes: C – common registered share, P – preferred registered share, prices – in USD per share; marked by an asterisk are the figures where the face value is taken instead of a price (no deals were made in these shares).

<sup>11</sup> Lists of the KASE securities from «Non-listed securities» sector are not given in the report.

**Fig. 4: Change in capitalisation of equity market of the KASE (USD bn) and major events that affected it**



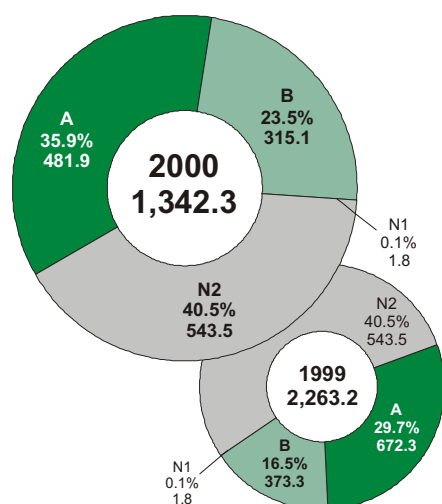
lowered market values of Kyrgyzenergo JSC and Kyrgyztelecom JSC as no deals have been set during the year. Thus, their market capitalisation was estimated at face value of shares.

After April developments, the market capitalisation was mostly defined by market prices (Fig. 4). Nevertheless, it is rare fact that significant fall of market price of one particular share, an operation that affected capitalisation of an issuer, was accompanied by significant or representative volume of a deal. For instance, three-time decrease of a market rate on common shares of Aluminii Kazakhstan OJSC was fixed in a deal over 196 shares.

Changes in composition of the official listing had only slight impact on the market capitalisation. In category "A", appeared only single issuer, Almaty Kus OJSC. In category "B", there issuer were excluded, BORLY JSC, Neftekhimbank OJSC and Ural-poliplast OJSC, and two admitted, Astana-finance OJSC and VALUT-TRANSIT BANK OJSC. Resulting contribution of listing composition to the capitalisation is \$18.9m.

Thus, the stock market capitalisation of each particular listing sector (Fig.5) was affected by reasons attributed to that sector separately: the non-listing securities sector, shifts in composition in April 2000, the official listing sector, fall of market prices.

**Fig. 5: Change in the capitalisation of companies in categories of KASE trade lists, USD m**



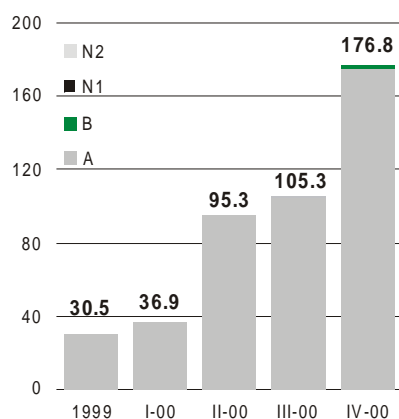
However, annual results of financial activity of most issuers, and banks in particularly, suggest that fall in market capitalisation, has not been in any respect associated to their operating efficiency. This is another one evidence to narrowness of the equity market and its isolation from the real sector of economy. The price dynamics mainly reflected some particular aspects of the financial market conditions (liquidity level, USD/KZT exchange rate dynamics, other events that required redistribution of funds between or within different financial groups, etc.).

Tables 10 and 11 present main indicators of companies' activity, whose shares have been included into official list of securities (as of Jan.01, 2001). The presented indicators are given for the whole year as for financial companies (banks and Astana-finance OJSC) and for the nine months of 2000 as for companies of the real sector.

### Bonds market capitalisation

By the end of 2000, the total bonds market capitalisation in Kazakhstan reached \$176.8m or KZT25.7bn at nominal value (face value of issued debt). During the year, this figure increased by \$146.3m or 5.8 times allowing to state so-called "corporate bonds boom" in Kazakhstan (Fig. 6). During the year, there were 18 bonds of 16 companies listed at KASE under different categories. The composition and structure of the bonds market at the end of 2000 is presented in Table 8.

**Fig. 6: Change in capitalisation of bonds market in 2000, USD m**



The main market trend of 2000 is that most companies have applied for admission into category "A" allowing bonds to be bought by PAMC using assets of PAPF. Thus, the market was mainly exposed to this development. The share of other listing categories (including non-listing securities) fluctuated from 0.26% (end of second quarter) to 1.5% (beginning of 2000).

Current prices of tradable bonds have not affected market capitalisation as this effect was totally dampened by admission of new issues into the listing. Nevertheless, analysis shows a presence of steady growth trend of net prices under significant demand on corporate bonds.


## CORPORATE SECURITIES TRADES


Within the reported period, different auction modes were applied on the primary market of corporate securities. The secondary market deals were made in repo and purchase-sale sectors. Composition of market turnover broken down by segments and sectors is presented in Table 12.


As it was mentioned above (chapter "Volume and structure of the stock market"), CS market turnover grew up by 617.7% or 7.1 times compared to 1999. All market sectors contributed to this growth. Volume of primary market for CS, which was formed in 2000, was only slightly lower than volume of all types of CS deals in 1999. In 2000, repo market has also established itself as an important


**Tab. 10: Indicators of listing companies of the financial sector in 2000 (KZT bn)**


Issuer	Assets			Shareholders' equity			Net income		
	As of 01.01.00	As of 01.01.01	Trend	As of 01.01.00	As of 01.01.01	Trend	As of 01.01.00	As of 01.01.01	Trend
Astana-finance OJSC	12.797	12.713	-0.084	2.298	2.174	-0.125	1.519	0.185	-1.334
Bank TuranAlem OJSC	46.744	79.586	+32.842	5.550	10.892	+5.343	0.758	2.150	+1.391
Bank CenterCredit OJSC	13.830	19.057	+5.227	1.447	2.148	+0.701	0.260	0.346	+0.087
Halyk Bank of Kazakhstan OJSC	57.160	103.515	+46.355	5.756	8.065	+2.310	0.630	0.457	-0.174
KAZKOMMERTSBANK OJSC	72.427	109.960	+37.533	11.696	14.579	+2.883	2.199	2.907	+0.707
Neftebank OJSC	2.459	3.395	+0.936	1.026	1.044	+0.018	0.041	0.058	+0.017
Temirbank OJSC	9.347	14.045	+4.699	1.490	2.132	+0.643	0.180	0.306	+0.126
VALUT-TRANZIT BANK OJSC	2.847	6.149	+3.303	1.042	1.979	+0.937	0.029	0.112	+0.083
<b>TOTAL</b>	<b>217.610</b>	<b>348.421</b>	<b>+130.811</b>	<b>30.304</b>	<b>43.013</b>	<b>+12.709</b>	<b>5.617</b>	<b>6.522</b>	<b>+0.905</b>
			<b>+60.1%</b>			<b>+41.9%</b>			<b>+16.1%</b>



ASFI common inscribed shares
Assets <b>12,713,231</b>
Shareholders' equity <b>2,173,558</b>
Net income <b>185,238</b>



BTAS common inscribed shares
Assets <b>79,585,516</b>
Shareholders' equity <b>10,892,217</b>
Net income <b>2,149,596</b>



CCBN common inscribed shares
Assets <b>19,057,205,000</b>
Shareholders' equity <b>2,147,566,000</b>
Net income <b>346,453,000</b>


HSBK common inscribed shares
Assets <b>103,515,404,000</b>
Shareholders' equity <b>8,065,433,000</b>
Net income <b>456,856,000</b>


KKGB common inscribed shares
Assets <b>109,960,876,000</b>
Shareholders' equity <b>14,579,105,000</b>
Net income <b>2,906,965,000</b>


NFBN common inscribed shares
Assets <b>3,395,240,000</b>
Shareholders' equity <b>1,043,880,000</b>
Net income <b>58,412,000</b>











TEBN common inscribed shares TEBNp preferred inscribed shares
Assets <b>14,045,393,000</b>
Shareholders' equity <b>2,132,317,000</b>
Net income <b>305,862,000</b>


VTBN common inscribed shares VTBNp preferred inscribed shares
Assets <b>6,149,274,000</b>
Shareholders' equity <b>1,978,757,000</b>
Net income <b>112,255,000</b>



Tab. 11: Indicators of listing companies - the non-financial sector in 9 months of year 2000 (KZT bn)

Issuer	Shareholders' equity			Sales			Net income		
	As of 01.01.00	As of 01.10.00	Trend	As of 01.01.00	As of 01.10.00	Trend	As of 01.01.00	As of 01.10.00	Trend
Almaty Kus OJSC	0.698	0.699	0.001	0.098	0.095	-0.004	0.031	0.001	-0.029
Aluminiy Kazakhstana OJSC	12.356	16.163	3.807	18.303	18.453	0.150	5.440	3.839	-1.602
Bayan-Sulu OJSC	0.540	0.575	0.035	0.918	0.228	-0.691	-0.029	0.035	0.065
Kazakhtelecom	33.552	35.635	2.084	29.843	26.345	-3.498	1.516	4.661	3.145
Corporation Kazakhmys OJSC	32.673	60.743	28.070	74.479	83.840	9.361	4.555	27.513	22.958
Mangistaumunaigas OJSC	13.254	17.711	4.457	45.782	68.406	22.624	8.090	6.130	-1.960
UKTMK OJSC	5.642	5.728	0.086	5.940	3.837	-2.103	0.067	0.124	0.057
SHNOS OJSC	14.357	26.648	12.290	31.828	56.887	25.059	8.416	12.290	3.875
TNC KAZCHROME OJSC	32.175	38.629	6.453	34.113	14.040	-20.073	14.713	2.303	-12.409
<b>TOTAL</b>	<b>145.248</b>	<b>202.531</b>	<b>57.3</b>	<b>241.305</b>	<b>272.131</b>	<b>30.8</b>	<b>42.799</b>	<b>56.897</b>	<b>14.1</b>
			<b>39.4%</b>			<b>12.8%</b>			<b>32.9%</b>

 <p><b>ALKS</b> common inscribed shares <b>ALKSp</b> preferred inscribed shares</p> <p>Shareholders' equity <b>699,132,000</b></p> <p>Sales <b>94,800,000</b></p> <p>Net income <b>1,432,000</b></p>	 <p><b>ALKZ</b> common inscribed shares <b>ALKZp</b> preferred inscribed shares</p> <p>Shareholders' equity <b>16,163,279,000</b></p> <p>Sales <b>18,453,300,000</b></p> <p>Net income <b>3,838,504,000</b></p>	 <p><b>BSUL</b> common inscribed shares</p> <p>Shareholders' equity <b>575,191,000</b></p> <p>Sales <b>227,569,000</b></p> <p>Net income <b>35,350,000</b></p>	 <p><b>KZCR</b> common inscribed shares <b>KZCRp</b> preferred inscribed shares</p> <p>Shareholders' equity <b>38,628,643,000</b></p> <p>Sales <b>14,040,000,000</b></p> <p>Net income <b>2,303,361,000</b></p>	 <p><b>KZMS</b> common inscribed shares <b>KZMSp</b> preferred inscribed shares</p> <p>Shareholders' equity <b>60,743,060,000</b></p> <p>Sales <b>83,840,300,000</b></p> <p>Net income <b>27,512,900,000</b></p>
 <p><b>KZTK</b> common inscribed shares <b>KZTKp</b> preferred inscribed shares</p> <p>Shareholders' equity <b>35,635,493,000</b></p> <p>Sales <b>26,345,070,000</b></p> <p>Net income <b>4,661,182,000</b></p>	 <p><b>MMGZ</b> common inscribed shares <b>MMGZp</b> preferred inscribed shares</p> <p>Shareholders' equity <b>17,711,054,000</b></p> <p>Sales <b>68,406,160,000</b></p> <p>Net income <b>6,130,219,000</b></p>	 <p><b>SYRG</b> common inscribed shares <b>SYRGp</b> preferred inscribed shares</p> <p>Shareholders' equity <b>26,647,533,000</b></p> <p>Sales <b>56,887,000,000</b></p> <p>Net income <b>12,290,495,000</b></p>	 <p><b>UTMK</b> common inscribed shares <b>UTMKp</b> preferred inscribed shares</p> <p>Shareholders' equity <b>5,727,784,000</b></p> <p>Sales <b>3,836,505,000</b></p> <p>Net income <b>124,030,000</b></p>	<p><b>TOTAL</b></p> <p>Shareholders' equity <b>5,727,784,000</b></p> <p>Sales <b>3,836,505,000</b></p> <p>Net income <b>124,030,000</b></p>

sector of the secondary market. Nevertheless, main contributor to CS market was purchase-and-sale sector.

## The primary market

The primary market of CS is, first of all, corporate bonds market. Within reported period, there were 13 auctions conducted in the trade system of KASE, of which 12 were over corporate securities. In total, 81 deals were made with 245,448 securities (548 shares and 244,900 bonds). All auctions were made in the trade system of KASE with a possibility of remote access mode. So far, no issuers agreed to float the whole issue through initial public offering at KASE. Thus, most primary auctions at KASE were set as partial or additional offerings.

Four of 12 auctions were equity auctions. More precisely, they were 4 trade days of single auction on offering of shares of Astana-finance OJSC among population in Astana. The bid applications were submitted to the trade system through Internet in real time mode from Astana based branch offices of Halyk Bank Kazakhstan. Despite insignificant volume of deals (KZT548.0 th) the auction displayed readiness of the stock market infrastructure to conduct such kind of public offerings.

Following companies have conducted offerings at KASE in 2000: Komirbank OJSC (18.02.00, 23% of issue), Almaty-kus OJSC (25.04.00, 76%), NOC

**Tab. 12: Volume of trades in corporate securities at the KASE in turnovers of the sectors**

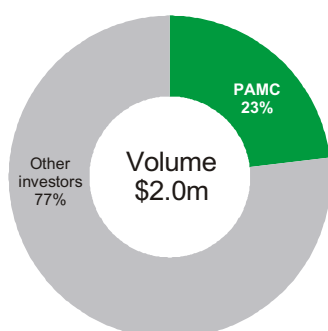
Month	Segments of corporate market at the Exchange							
	Primary market		Purchase-sale sector		Secondary market		TOTAL	
	USD th	KZT m	USD th	KZT m	USD th	KZT m		
January	-	-	21,410.1	2,984.5	-	-	21,410.1	2,984.5
February	464.8	65.0	963.8	134.6	-	-	1,428.6	199.6
March	-	-	2,284.3	323.2	378.7	53.5	2,663.0	376.8
<b>I quarter</b>	<b>464.8</b>	<b>65.0</b>	<b>24,658.2</b>	<b>3,442.4</b>	<b>378.7</b>	<b>53.5</b>	<b>25,501.6</b>	<b>3,560.9</b>
April	338.4	48.1	840.9	119.6	1,057.7	150.4	2,237.1	318.0
May	3.9	0.5	1,633.3	232.3	9.1	1.3	1,646.3	234.2
June	818.5	116.8	8,677.2	1,237.4	17.8	2.5	9,513.5	1,356.8
<b>II quarter</b>	<b>1,160.8</b>	<b>165.4</b>	<b>11,151.5</b>	<b>1,589.4</b>	<b>1,084.6</b>	<b>154.2</b>	<b>13,396.8</b>	<b>1,909.0</b>
July	13,503.2	1,927.4	8,190.1	1,169.2	196.9	28.1	21,890.1	3,124.7
August	2,253.4	321.3	1,773.5	252.9	1,087.1	155.1	5,114.0	729.3
September	-	-	7,071.6	1,009.0	-	-	7,071.6	1,009.0
<b>III quarter</b>	<b>15,756.6</b>	<b>2,248.7</b>	<b>17,035.1</b>	<b>2,431.1</b>	<b>1,284.0</b>	<b>183.2</b>	<b>34,075.8</b>	<b>4,863.0</b>
October	1,293.2	184.3	16,511.8	2,355.1	3,550.8	506.4	21,355.8	3,045.8
November	-	-	22,817.2	3,283.5	8,833.1	1,272.0	31,650.3	4,555.5
December	150.8	21.7	5,472.1	792.4	6,905.4	999.4	12,528.3	1,813.5
<b>IV quarter</b>	<b>1,444.0</b>	<b>206.1</b>	<b>44,801.1</b>	<b>6,430.9</b>	<b>19,289.3</b>	<b>2,777.8</b>	<b>65,534.4</b>	<b>9,414.8</b>
<b>TOTAL</b>	<b>18,826.2</b>	<b>2,685.2</b>	<b>97,645.8</b>	<b>13,893.8</b>	<b>22,036.5</b>	<b>3,168.7</b>	<b>138,508.6</b>	<b>19,747.8</b>
<b>Structure</b>	<b>13.6%</b>		<b>70.5%</b>		<b>15.9%</b>		<b>100.0%</b>	

KAZAKHOIL CJSC (23.06.00, 3.4%), NSE Kazakhstan Temir Joly (10.07.00 and 12.07.00, 100%), Temirbank OJSC (24.08.00, 45.0%), AMB OJSC (02.10.00, 26%), VITA LLP (second issue, 15.12.00, 10%).

Information below is main issue parameters for bonds included in the official listing and offered through KASE. The figures illustrate structure of investors.

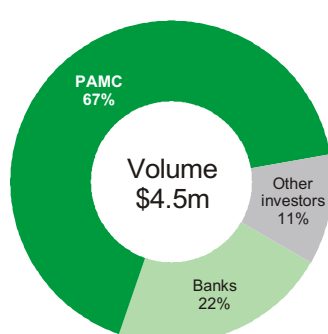
The legislative base of KASE that regulates primary market of corporate bonds changed insignificantly. The most notable event was decision of the Exchange Council that set (from March 05, 2000) 0.025% new commission fee for organisation of primary offering auction accrued from value of securities sold on auction. The commission fee for equity auction is accrued from value of deals, for bonds auction - nominal value. The total amount of commissions must be more than \$500 and less than \$10,000 (or equivalent in Kazakhstan tenge).

#### First issue bonds of **Komirbank OJSC**



Type of the securities:	registered coupon bonds, indexed to KZT/USD
Issue registration date:	exchange rate
Issue volume in U.S.dollars:	21.12.99
Circulation starts on (issue date):	2,000,000.00
Circulation term:	26.12.99
Maturity:	1 year
Coupon rate:	26.12.00
Coupon payment dates:	12.0% APR
Admittance date to KASE trade lists:	June 26 and December 26
Average yield at initial offering:	25.01.00
Actual offered volume:	12.26% APR
	2,000,000 (100% of the issue volume)

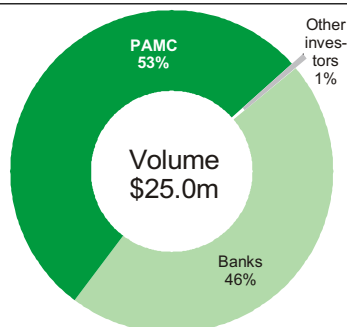
#### First issue bonds of **Almaty Kus OJSC**



Type of the securities:	registered coupon bonds, indexed to KZT/USD
Issue registration date:	exchange rate
Issue volume in U.S.dollars:	06.04.00
Circulation starts on (issue date):	4,500,000.00
Circulation term:	14.04.00
Maturity:	1 year
Coupon rate:	14.04.01
Coupon payment dates:	14.0% APR
Admittance date to KASE trade lists:	October 14 and April 14
Average yield at initial offering:	11.04.00
Actual offered volume:	15.46% APR
	4,500,000 (100% of the issue volume)



### First issue bonds of **NOC Kazakhoil CJSC**



Type of the securities:

Issue registration date:

Issue volume in U.S.dollars:

Circulation starts on (issue date):

Circulation term:

Maturity:

Coupon rate:

Coupon payment dates:

Admittance date to KASE trade lists:

Average yield at initial offering:

Actual offered volume:

registered coupon bonds,

indexed to KZT/USD

exchange rate

15.05.00

25,000,000.00

05.06.00

2 years

05.06.02

9.0% APR

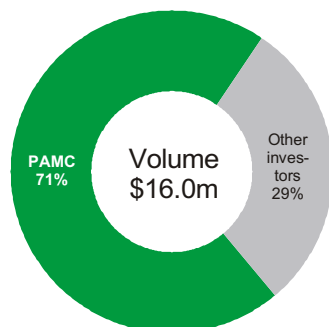
December 05 and June 05

18.05.00

11.74% APR

25,000,000 (100% of the issue volume)

### First issue bonds of **Halyk Bank of Kazakhstan OJSC**



Type of the securities:

Issue registration date:

Issue volume in U.S.dollars:

Circulation starts on (issue date):

Circulation term:

Maturity:

Coupon rate:

Coupon payment dates:

Admittance date to KASE trade lists:

Average yield at initial offering:

Actual offered volume:

subordinated coupon bonds,

indexed towards the change

in KZT/USD exchange rate

20.06.00

16,000,000.00

20.06.00

7 years

20.06.07

11.8% APR

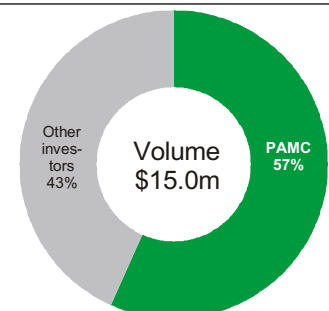
December 20 and June 20

27.06.00

12.34% APR

16,000,000 (100% of the issue volume)

### First issue bonds of **Kazakhstan Temir Joly NSE**



Type of the securities:

Issue registration date:

Issue volume in U.S.dollars:

Circulation starts on (issue date):

Circulation term:

Maturity:

Admittance date to KASE trade lists:

Average yield at initial offering:

Actual offered volume:

discount bonds,

indexed

to KZT/USD

exchange rate

21.06.00

15,000,000.00

23.06.00

1 year

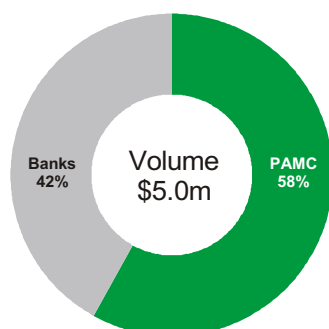
23.06.01

23.06.00

11.49% APR

15,000,000 (100% of the issue volume)

### First issue bonds of **TEMIRBANK OJSC**



Type of the securities:

Issue registration date:

Issue volume in U.S.dollars:

Circulation starts on (issue date):

Circulation term:

Maturity:

Special terms:

Coupon rate:

Coupon payment dates:

Admittance date to KASE trade lists:

Average yield at initial offering:

Actual offered volume:

registered coupon

bonds, indexed to KZT/USD

exchange rate

31.07.00

5,000,000.00

19.08.00

5 years

19.08.05

right to call back the bonds by the issuer

at face value at the beginning of each year

if the bondholder does not agree with

declared rate, possibility of calling back

the bonds by the issuer at market or other

price coordinated with the bondholder

11.0% APR in first year, then – upon the

issuer's decision, but not less than 5.0%

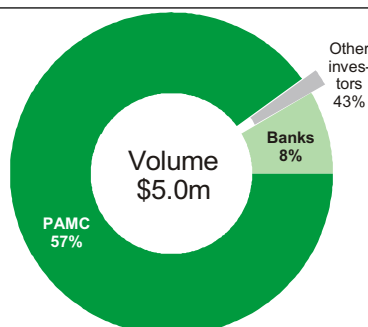
February 19 and August 19

07.08.00

11.30% APR

5,000,000 (100% of the issue volume)

### First issue bonds of **AMB CJSC**



Type of the securities:

Issue registration date:

Issue volume in U.S.dollars:

Circulation starts on (issue date):

Circulation term:

Maturity:

Coupon rate:

Coupon payment dates:

Admittance date to KASE trade lists:

Average yield at initial offering:

Actual offered volume:

registered coupon

bonds, indexed to KZT/USD

exchange rate

18.09.00

5,000,000.00

02.10.00

1 year

02.10.01

10.5% APR

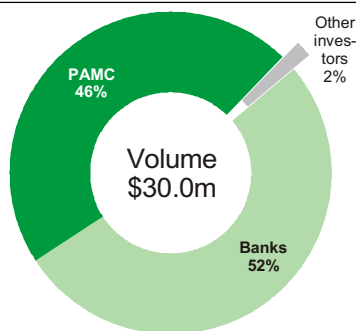
April 02 and October 02

26.09.00

11.07% APR

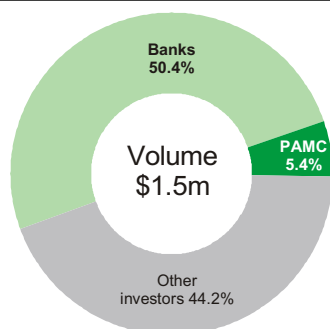
5,000,000 (100% of the issue volume)

### First issue bonds of NOTC KazTransOil CJSC



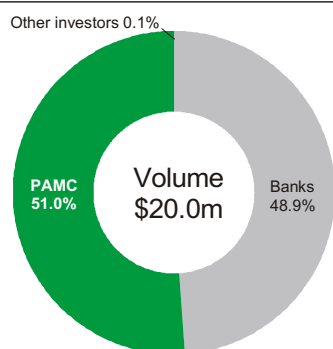
Type of the securities:	registered coupon bonds, indexed to KZT/USD
Issue registration date:	exchange rate 13.10.00
Issue volume in U.S.dollars:	30 000 000,00
Circulation starts on (issue date):	23.10.00
Circulation term:	3 years
Maturity:	23.10.03
Coupon rate:	9.0% APR
Coupon payment dates:	April 23 and October 23
Admittance date to KASE trade lists:	20.10.00
Average yield at initial offering:	10.29% APR
Actual offered volume:	25,010,000 (83.4% on 01.01.01)

### Second issue bonds of VITA LLP



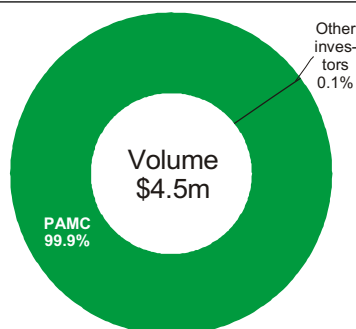
Type of the securities:	registered coupon bonds, indexed to KZT/USD
Issue registration date:	exchange rate 10.11.00
Issue volume in U.S.dollars:	1,500,000.00
Circulation starts on (issue date):	01.12.00
Circulation term:	1 year
Maturity:	01.12.01
Coupon rate:	14,0% APR
Coupon payment dates:	June 01 and December 01
Admittance date to KASE trade lists:	07.12.00
Average yield at initial offering:	14,00% APR
Actual offered volume:	1,500,000 (100% of the issue volume)

### Second issue bonds of Karazhanbasmunai OJSC



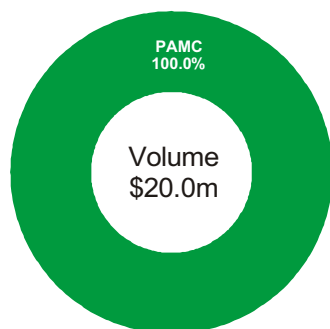
Type of the securities:	registered coupon bonds, indexed to KZT/USD
Issue registration date:	exchange rate 06.12.00
Issue volume in U.S.dollars:	20,000,000.00
Circulation starts on (issue date):	20.12.00
Circulation term:	3 years
Maturity:	20.12.03
Coupon rate:	11.0% APR
Coupon payment dates:	June 20 and December 20
Admittance date to KASE trade lists:	08.12.00
Average yield at initial offering:	11.00% APR
Actual offered volume:	20,000,000 (100% of the issue volume)

### First issue bonds of Bank CenterCredit OJSC



Type of the securities:	subordinated coupon bonds, indexed to KZT/USD
Issue registration date:	exchange rate 12.12.00
Issue volume in U.S.dollars:	4,500,000.00
Circulation starts on (issue date):	17.12.00
Circulation term:	5 years
Maturity:	17.12.05
Coupon rate:	12,0% APR
Coupon payment dates:	June 16 and December 16
Admittance date to KASE trade lists:	15.12.00
Average yield at initial offering:	11.70% APR
Actual offered volume:	4,500,000 (100% of the issue volume)

### Second issue bonds of KAZKOMMERTSBANK OJSC



Type of the securities:	subordinated euronotes
Issue registration date:	22.12.00
Issue volume in U.S.dollars:	20,000,000.00
Circulation starts on (issue date):	22.12.00
Circulation term:	7 years, with the possibility to call back the whole issue by the issuer at face value after 4 years
Maturity:	22.12.07
Possible call back date:	22.12.04
Coupon rate:	11.0% APR
Coupon payment dates:	June 22 and December 22
Admittance date to KASE trade lists:	27.12.00
Average yield at initial offering:	11.50% APR (11.757% APR by 22.12.04)
Actual offered volume:	20,000,000 (100% of the issue volume)

## Secondary market

The events presented below describe developments of the corporate market that have mostly affected secondary CS market in 2000.

On May 01, KASE introduced amendments and modifications into standard legal document "Size of membership and commission fees levied by the Exchange."<sup>12</sup> According to the new wording, a participant of CS auctions that concluded deal on special depo account is exempted from commission fee, if the account is registered in the Central Depository as personal account of an individual. This experimental amendment will be in force until May 01, 2001. The special objective is to attract money of population.

On May 10, KASE introduced amendment into standard legal document "Order of settlements by results of securities auctions"<sup>13</sup>. According to the new wording, deals made on "T+0" term are conducted without blocking of securities in the CSD.

On July 01, KASE lowered forfeit rate from 0.2 to 0.1% which is paid for failure to meet obligations over repo opening deals or for delay of payment over purchase-and-sale deals with corporate securities.

On July 01, KASE introduced new wording of internal document of the Exchange "Order of settlements by results of securities auctions"<sup>14</sup>. This is the first time, when KASE introduced settlement system on CS auctions with netting procedure. The new wording also sets legal basis for settlements over CS traded at KASE using "T+3", "T+1", "T+0" terms.

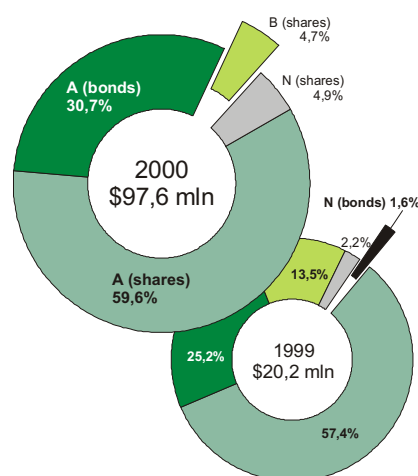
On October 13, 2000, the Ministry of Justice of Kazakhstan registered resolution of NSC #81 "On amendments and modifications into NSC resolution "On standard legal acts related to pension assets management companies #11 dated August 13, 1998." Besides modifications that are not related to corporate securities market, the resolution changed investment diversification standards towards CS sector. For instance, it increased a maximal amount of pension assets investments into CS from 30 to 40%.

In 2000, the stock exchange trades over corporate securities (purchase-and-sale sector, repo sector) were held in one session between 11:30 and 17:00 of Almaty time. All sessions were conducted in the trade system of KASE using uninterrupted counter auction method. Most traders operated in the remote access mode.

### Purchase-and-sale sector

Total of 541 deals over 33,166,254 securities were made in the sector<sup>15</sup>. The deals were concluded on 188 auctions out of 251, the total number of auctions. The volume of a single auction varied from \$246.0 (KZT34.3 th, 30 securities) to \$11.7m (KZT1,699.2m, 12,493,052 securities). The auction's average figure equalled \$519.4 th (KZT73.9m, 176,416 securities). Average volume of monthly turnover is \$8,137.2 th or KZT1,157.8m (2,763,855 securities). The monthly data are presented in Table 12.

**Fig. 7: Distribution of volumes of deals among listing categories in purchase-sale sector**



**Tab. 13: Characteristics of the most traded ten corporate securities in purchase-sale sector and their shares of the market**

Issuer	Securities	Admitt.	Volume of deals		Number of deals	Price and yield			Market share
			USD th	quantity		min.	max.	last.	
Bank TuranAlem OJSC	C	A	18,700.8	259,356	80	70.10	87.95	70.99	19.2%
SHNOS OJSC	C	A	15,776.8	13,293,307	7	1.0000	1.6300	1.6300	16.2%
Halyk Bank of Kazakhstan	C	A	11,115.6	12,762,628	15	0.7154	2.3200	0.8324	11.4%
Halyk Bank of Kazakhstan	B	A	8,557.7	87,150	16	12.00	12.78	12.00	8.8%
NOTC KazTransOil CJSC	B	A	7,265.7	75,030	11	10.30	10.57	10.50	7.4%
Kazakhstan Temir Joly NSE	B	A	4,902.1	54,300	16	10.82	11.50	10.82	5.0%
Kazakhtelecom	P	A	3,878.7	430,237	47	2.5000	14.3600	8.0000	4.0%
VALUT-TRANZIT BANK OJSC	C	B	3,063.0	1,191,462	9	2.1811	2.6294	2.5572	3.1%
NOC KAZAKHOIL CJSC	B	A	2,918.1	29,821	42	10.50	12.10	10.67	3.0%
Kazakhtelecom	C	A	2,603.2	184,979	7	12.87	15.00	14.50	2.7%

Notes: C – common inscribed shares, B – bonds; prices are given in USD per share, yields – in % APR on semiannual basis.

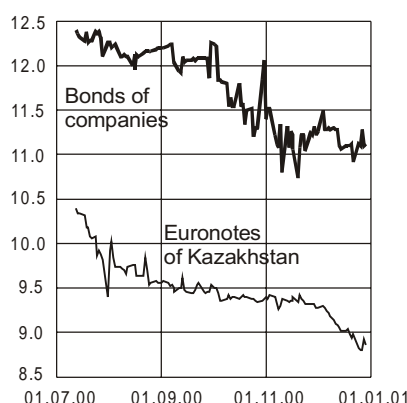
<sup>12</sup> New wording was approved by the resolution №586 of the NSC Directorate, dated Apr 06.00.

<sup>13</sup> New wording was approved by the resolution №596 of the NSC Directorate, dated May 04.00.

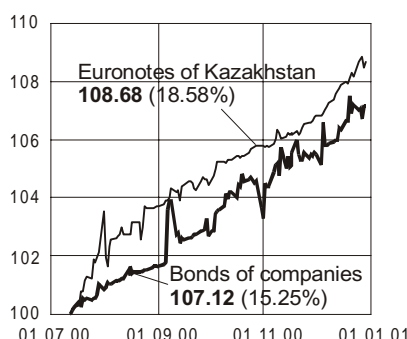
<sup>14</sup> Approved by the resolution №621 of the NSC Directorate, dated June 08.00.

<sup>15</sup> Only the deals, on which the settlements are made, are taken into account.

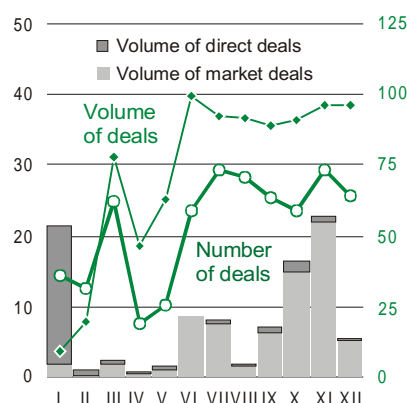
**Fig. 8: Weighted average yields of the euronotes of Kazakhstan and those of corporate bonds at the KASE (% APR)**



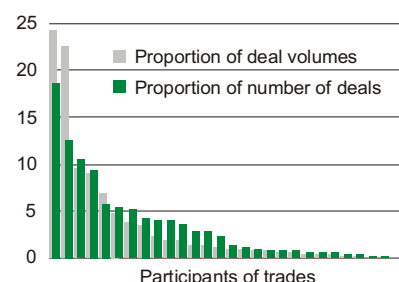
**Fig. 9: Price indices of the euronotes and corporate bonds at the KASE, including their yields**



**Fig. 10: Share of market deals (on the right, %) within volumes of trades (on the left, USD m) in purchase-sale sector**



**Fig. 11: Monopolisation level of the corporate securities purchase-sale sector of KASE (%) and activity of the brokers**



The deals were concluded over 56 securities of 47 issuers. In 1999, these figures were 34 and 32 correspondingly. As it follows from tables and charts presented in this page, no significant changes occurred in the structure of purchase-and-sale sector. As in 1999, the leading positions are occupied by shares of the highest listing category ("A"), holding first three top positions in the list of most tradable (liquid) securities. The top-10 list of 1999 included (in descending order): common shares of SHNOS OJSC, euronotes of KAZKOMMERTS INTERNATIONAL B.V., preferred shares of Corporation Kazakhmys OJSC, common shares of Neftekhimbank OJSC, preferred shares of Mangistaumunaigas OJSC and common shares of Halyk Bank Kazakhstan OJSC.

The most important development in the sector is a formation of secondary market for corporate bonds. The market has been outlined by market-makers starting from second half of 2000. In contrast to equity market, where prices are being set under influence of local sub-market conjuncture, corporate bonds market has presented yields that could be served as a real market indicator.

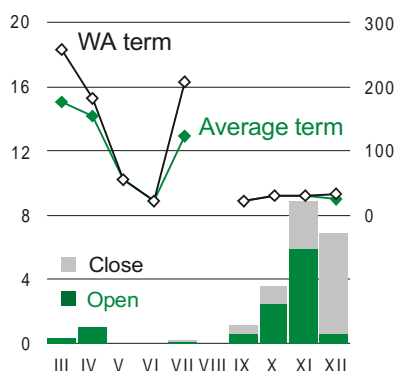
Constant gap between money supply over demand overseen on the financial market in second half of 2000 led to significant lowering of interest rates of sovereign eurobonds, which have been accepted as a benchmark for price evaluation of domestic corporate borrowing. Interest rates decline affected corporate bonds as well. For year 2000, average yield of Kazakhstan eurobonds fell from 11.7% down to 7.8%, average yield of corporate bonds decreased from 12.3% to 11% during second half of the 2000. On average, for the last year, corporate bonds provided 150-250 percentage points of premium over sovereign eurobonds (Fig.8).

The main negative trend of 1999 was growing number of so-called direct deals. These deals are made using mode of direct quotations by-passing the main trade mode of KASE, the dual counter auction. The initiator of a direct deal secures it from interventions of third parties by sending addressed quotations to counteragent. As a result, price of direct deal could hardly be accepted as market price. In 2000, the situation has drastically changed. Notably, KASE applied no administrative sanctions against direct deals. The share of market deals concluded using counter auction mode has caught steady growth trend during the year. By late 2000, it reached 90% of total deals (Fig.10). For instance, results of 1999 show that 75.1% of operational volume or 90.9% of total deals concluded over CS have been direct. In 2000, the corresponding figures equal to 26.5% and 42.7%. At that, the general trend was undermined only by figures for the month of January. During the rest of months, situation improved substantially. It is not excluded that active operations of brokers in the repo-sector have put a basis for development of the marked trend. In 1999, all repo-operations were hidden and were made in the purchase-and-sale sector.

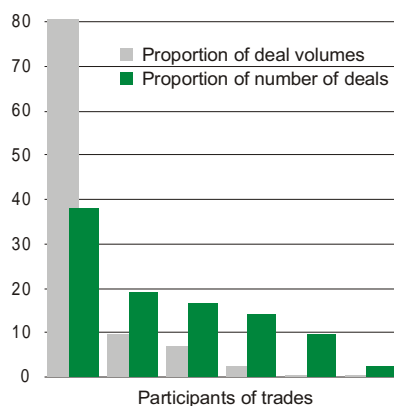
Another negative trend of 1999 is extremely uneven distribution of operational volume within the year. Main volume of deal over corporate securities fell on December. This fact indicates that dealers have used CS market as a tool to distribute money among themselves and affiliated companies. The maintenance of liquidity was the other reason. In the reported period, situation looks rather positive (Fig.10). Distribution of deals volume was more smooth and correlated with other sectors of the stock market as well as with dynamics of money aggregates. Thus, it could be concluded that high liquidity of the financial market in second half of 2000 became a main reason that affected volume of CS market.

The monopolisation level of secondary market in the purchase-and-sale sector was rather high, yet it was significantly lower than in 1999. Monopolisation level was estimated over total gross position of each trader at auction and was expressed in percents from the total volume of deals in the sector. The same calculations were applied to number of concluded deals. In 1999, a single trader took 62.1% of total volume of deals. Another trader was a leader by number of deals (52%). In 2000, 28 broker-dealer companies, banks and PAMC were participating in trades in the purchase-and-sale sector. Most active trader seized 24.2% of the volume. Two traders controlled 46.8%, three - 56.4%, five - 72.3%. The applied to number of deals the same indicators equalled: 18.7%, 31.35, 41.9%, and 56.9% correspondingly. The full picture is presented in Fig.11. As in 1999, the leaders among categories are different, yet, the gap between them is significantly lower. The company that is leading in volumes of deals takes sixth position in number of deals. The presented data suggest that in 2000 the difference between specialisation of broker-dealer companies began to disap-

**Fig. 12: Volume of transactions (on the left, USD m) and average repo term (on the right, days)**



**Fig. 13: Monopolisation level of corporate securities repo sector of the KASE (%) and activity of the brokers**



pear (some companies were preferring large number of low-volume operations, other operated with large amounts).

### The repo-sector

There was no an official opening ceremony of the CS repo-sector. As in case with government bonds, trade participants have had a possibility to submit special repo-opening bids in the trade system. The sector whose creation was initiated by brokers begun operations in March 2000. Most probably, by that time, trade participants had already developed effective schemes of repo deals over corporate securities.

In general, the sector has only undergone foundation stage of development. Even by the end of 2000, it was seen only as a new and undeveloped sector for participants. The set of operating financial instrument was narrow, periods of deals varied significantly and, finally, interest rates were frequently contradicting to actual market level.

The first deals in the CS repo-sector was concluded on March 14, 2000. In total for the period, there were 40 repo deals concluded over 2,498,013 securities for a total of KZT3,168.7m or \$22,036.5 th.<sup>16</sup> These amounts included 21 repo-opening deals (1,300,275 securities) for KZT1,594.7m (\$11,125.5 th.) and 19 repo-closing deals (1,197,738 securities) for 1,574.0m (\$10,911.2 th.). Deals were concluded only at 29 sessions. The daily volume of deals varied from KZT993.0 th. (\$7.0 th.) to KZT709.0m (\$4.9m) with average figure of KZT109.3m (\$759.9 th.). The monthly average sector's turnover equalled KZT264.1m (\$1.8m). The monthly data are presented in the Figure 12.

All repo-opening deals were made in the U.S. dollars (indexed repo). The repo terms varied from 7 to 260 days. Most popular operations regarding borrowing volume were operations for 30 (75.4% of the total repo-opening volume) and 186 days (9.2%). For these periods repo deals were opened 5 and 2 times respectively. Average and weighted average period of repo-opening operations broken down by months is given in the Figure 12.

The list below presented most popular underlying instruments for repo deals (market share is given in the parentheses):

- ✦ common shares of Bank TuranAlem OJSC (80.34%);
- ✦ common shares of Bank CentreCredit OJSC (13.82%);
- ✦ first issue bonds of Halyk Bank Kazakhstan OJSC (4.90%);
- ✦ preferred shares of Kazakhstancaspiishelf JSC (0.27%);
- ✦ common shares of Halyk Bank Kazakhstan OJSC (0.24%);
- ✦ common shares of Voskhod OJSC (0.13%);
- ✦ common shares of Temirbank OJSC (0.13%);
- ✦ preferred shares of Kazakhtelecom (0.11%);
- ✦ preferred shares of UKTMK OJSC (0.06%).

The year 2000 was marked by exceptionally high monopolisation level of the CS repo-sector. The most probable reason is unconcern of many of trade participants in attractiveness of the sector (or need to conduct operations). Only 5 broker-dealer companies and 1 bank were participating in the sector. The monopolisation level was estimated applying the same methodology as for purchase-and sale sector. The detailed Figure is presented in the Figure 13. The important peculiarity of the sector is that that most repo-deals were internal operations involving broker on the one side and its client on the other.

### The SBS sector

The sector has not received an impetus for further development in 2000 due to transfer of most SBS companies previously intended for mass privatisation into municipal property. For the whole year, only one state block of shares was listed in the sector: from December 15, 2000 KASE opened trades over SBS of National Juridical Service CJSC (Astana, trade code - Z USRK). The government stake included 66% of the authorised capital for a total of KZT3,279,738. The deal was concluded

<sup>16</sup> An equivalent was calculated at current servicing rate for each type of bond, which was in effect on the date when each deal was made on, or at current rate of the Exchange, of those were shares.



on the first day bid quotations appeared on the market, December 29. No competitive bids were submitted, the only bid was at KZT5,000.00 per share (quotations were submitted in tenge). The deal amount reached KZT3.3m and almost equalled to nominal value of the block. At present, this deal is taken in the statistics of CS sector on general terms (dollar equivalent).

## CS settlement procedures

The organisation structure of securities market at KASE has been developed in accordance with recommendations of the so-called «Group of thirty.»<sup>17</sup> As of January 01, 2001 only the fourth (to employ the netting system) and the eighth (to encourage the use of credits granted in securities as a settlement term) recommendations were not followed.

The most important event for the reported period was cancellation of prior blocking of securities in the CSD for deals concluded on “T+0” term. Another also significant introduction is enforcement (from July 1) of modifications put into “Order of settlements on results of securities trades.”

For the period, following settlement terms (through CSD) were applied on the CS market: “T+N” (N no more than 3 business days) and “T+0.”

At the T+N term, all settlement procedures (transfer of money and securities) are made within three business days after conclusion of a deal. The trades are conducted using uninterrupted counter auction mode and with prior blocking of securities on the “depo” accounts in the CSD. Then, the CSD transfers to KASE data on blocked securities intended for sale before or during the trades.

At the T+0 term, all settlements are made within the same day a deal was concluded. Such deals are approved solely through the CSD according to its internal legal documents.

If a deal is concluded over the depo-account inscribed to a user of the KASE Confirmation System, the stock exchange transfers detailed information over deal to this user and, in case of approval, transfers to the CSD all information need to conduct settlements. The deal is being immediately cancelled, if user of the Confirmation System has rejected deal concluded over his/her depo-account. All responsibility for rejection falls on trade participant who initiated a deal.

In the time between conclusion of a deal and starting of settlement procedures in the CSD, a seller must provide sufficient number of securities on the depo-account, while the buyer presents adequate amount of money on the correspondent account.

Such settlement procedure takes 10-20 minutes from moment of conclusion till its execution.

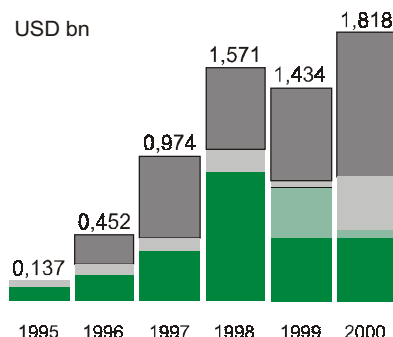
The deals concluded using direct quotation mode are settled though “Outright” scheme. Execution of a deal is made according to place and terms stipulated in the appropriate stock exchange certificates. At settlements made through the CSD using “Outright” scheme, KASE transfers to the CSD information on concluded deals, then upon execution of obligations the CSD transfers appropriate data back.

<sup>17</sup> To eliminate the barriers in international trade, representatives of 30 countries with developed stock markets joined their forces and established a “Group of Thirty” (G30) in 1978. In March 1989 G30 published its report and for the first time declared nine recommendations on establishing domestic stock markets.

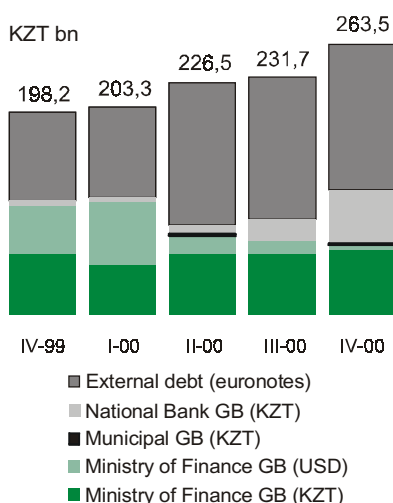
## GOVERNMENT SECURITIES MARKET

**Fig. 14: Volume and structure of the Kazakhstan debt issued as GS (at the end of period)<sup>18</sup>**

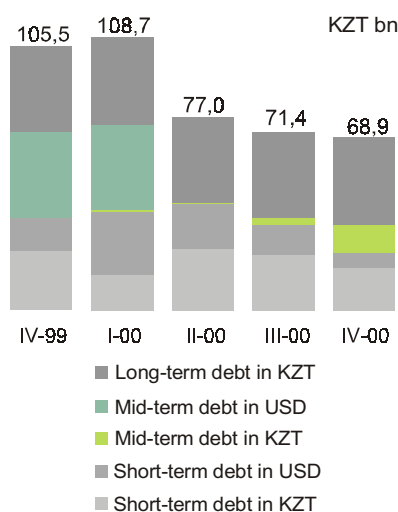
For six years



Quarterly for 2000



**Fig. 15: Volume and structure of internal debt of the Ministry of Finance and those of municipal bodies in 2000 (at the end of period)**



During the reported period, the government debt of Kazakhstan issued as government securities on the domestic and external markets increased in nominal terms from \$1.434bn to \$1.818bn. The biggest contribution was an offering of sovereign euronotes of the fourth issue (XS0111078183) in May 2000. The growth was also supported by significant increase of notes of the National Bank in the total turnover.

Increased revenues of the state budget determined relatively low volume of borrowing of the Ministry of Finance (MOF). In early 2000, nominal value of the domestic borrowing (the Ministry of Finance and municipal authorities) in the form of government securities totalled KZT105.5bn compared to KZT68.9bn in the end of year (Fig.15). Out of this figure, 34.4bn are issued in the form of MEAKAM, ten-year bonds, which are rarely seen on the secondary market.

Sharp decline of tenge devaluation against the U.S. dollar (down to 5.2% in 2000 from 64.2% in 1999) allowed the government to reject issues of devaluation indexed bonds, MEKAVM. In May 2000, all AVMEKAM, mid-term bonds indexed to devaluation, were exchanged on euronotes of the fourth issue. As a result, share of dollar indexed government securities in the domestic debt of the Ministry of Finance fell down to 9.1% from 44.5% in late 1999.

Lowering dollar value of the domestic debt the Ministry of Finance was simultaneously extending its circulation period. In June 2000, the MOF renewed offering auctions for tenge denominated treasury bonds of two-year maturity (previously issued in 1997-98). In August, it launched first three-year MEOKAM, in September, inflation indexed MEIKAM of 18 months to maturity. In total volume of the MOF's domestic debt, the share of short-term government bonds (up to one year maturity) fell from 35.2 down to 33.7%. The share of mid-term bonds (2-3 years) increased from 0.1% up to 16.3%.

## SECONDARY MARKET

In the reported period, the secondary market of GS has totally revived after crisis developments observed in 1999. For instance, volume of the market (estimated by KASE using own and the depository's data) grew up to KZT625.4bn (2.64 times)<sup>19</sup>. Before the crisis in March-July 1998, the monthly volume of GS on the secondary market exceeded KZT30bn. In 2000, only minimal monthly volume of January reached KZT27.4bn. For the rest year volumes were significant exceeding KZT80bn figure in September and December. The monthly volume equalled KZT52.1bn (Fig.17).

The market growth was affected by two factors. The main is high liquidity of the financial sector particularly sensed in last quarter of 2000. Market capitalisation also took a part of the growth. Decline in the MOF's debt was compensated by fourth euronotes issue and active borrowing of the NBK on notes market in late 2000. The latter also provided second-tier banks with excessive volume of funds.

## The stock exchange secondary market

Results of 2000 suggest that organised component of the Kazakhstan secondary market for GS has finally stabilised its share in the total GS turnover after fast growing development stage in 1998 and first half of 1999. Compared to 1999, the share of stock exchange operations remained stable. According to KASE estimations comparable operations gave 65.3% of the turnover (67.7% in 1999). The reason is that that no significant structural changes of market operators have occurred. As previously, there were two main investors, PAMC (and SAPF) and banks. The share of banks on the OTC market remained unchanged as well. The broker-dealer companies and their clients were also presented in both markets (KASE and OTC).

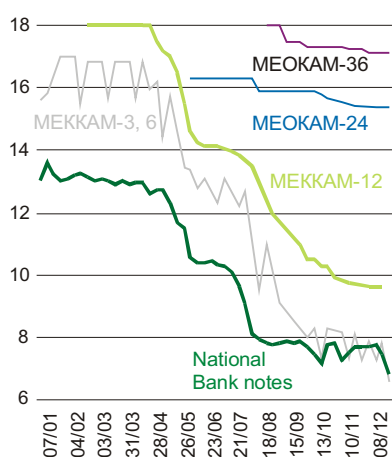
The list below presents main important events that most affected GS market at KASE in 2000.

<sup>18</sup> KASE estimate at official rate of the National Bank at the end of the period.

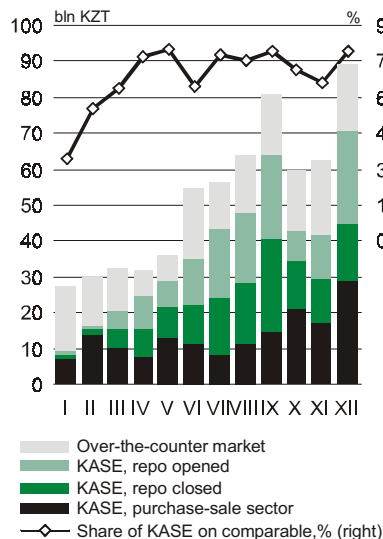
<sup>19</sup> Purchase-and-sale and repo sectors, excluding the security, its maturity, transfer and re-evaluation of the securities.



**Fig. 16: Weighted average yields of domestic GS on primary market**



**Fig. 17: Dynamics of the transaction volumes, turnover structure and share of the KASE**



**On May 19**, the Exchange Council of KASE approved decision to set the sector of small-lots (SSL). The sector was opened on Jul3. There were 60 deals concluded for the period (all of them with euronotes) for a total of \$7.4m at nominal value. Volume of deals equalled KZT1.2bn or 0.27% of total GS turnover at KASE, 0.73% of the purchase-sale turnover and 1.54%<sup>21</sup> of the euronotes deals in the same sector (euronotes of third and fourth issues)<sup>22</sup>. The minimal volume was KZT404.6 th., maximal - KZT64.5m, average - KZT20.0m. So far, no retail investors were observed in the sector mainly due to low profitability of euronotes and large transaction costs in the sector.

**From July 01**, the penalty fee for failure to meet obligations under purchase-sale and repo deals with GS was decreased from 0.2% to 0.1%.

**On July 29**, Directorate of NSC enforced resolution #633 dated June 30, 2000 "On amendments and modifications into the NSC resolution #352 dated June 24, 1999." The resolution set restrictions for PAMC and SAPF on conduction of "counter-repo" deals on the securities market of Kazakhstan. For instance, maturity period for "counter-repo" deals involving pension assets was limited up to 30 days. PAMC and SAPF were also restricted to conduct counter-repo operations with affiliated companies.

**On October 13**, the Ministry of Justice registered NSC resolution #81 "On amendments and modifications into the NSC resolution "On standard legal acts regarding pension assets management companies" #11 dated August 13, 1998. Besides modifications that are not related to GS market, the resolution changed investment diversification standards towards CS sector. For instance, it increased a maximal amount of pension assets investments into CS from 30 to 40%, while maximal limit of investments into GS was lowered from 50 to 40%.

In general, the GS market of KASE has eventually undergone its initial stage and was shaped out in terms of regulation, created infrastructure, settlement procedures and structure of participants. This notion is supported by large volume of trades and high shares of GS sector in the total turnover of KASE. Thus, after developing the GS market KASE has strengthened efforts on new directions in development of the stock market.

### Purchase-sale sector

All operations with GS at KASE have been made in two sectors: purchase-sale and repo. This is a fundamental difference of the reported period from 1999. The repo sector was established on July 5, 1999. Trade participants have received a right to quote repo rates and to conclude deals in the repo sector on voluntary basis. However, prohibition KASE set on direct deals in the GS purchase-sale

**Tab. 14: Volumes of trades in GS at KASE, turnover structure of sectors and share of the market at the Exchange**

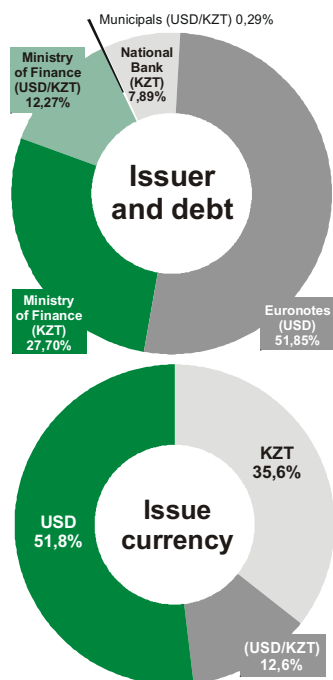
Month	Sector of GS market at the Exchange <sup>20</sup>						Share of the market at the Exchange, %
	Purchase-sale		Repo		TOTAL		
	USD m	KZT bn	USD m	KZT bn	USD m	KZT bn	
January	52.4	7.296	15.3	2.133	67.7	9.256	34.4
February	98.9	13.833	20.4	2.854	119.3	16.643	55.4
March	73.5	10.389	73.8	10.448	147.3	20.775	64.0
I quarter	224.8	31.518	109.5	15.436	334.3	46.674	52.1
April	54.4	7.740	120.0	17.067	174.4	24.801	77.2
May	91.4	13.002	111.9	15.925	203.3	28.906	80.1
June	80.0	11.408	165.4	23.592	245.4	34.982	64.2
II quarter	225.8	32.150	397.3	56.584	623.1	88.689	72.3
July	58.0	8.282	246.1	35.152	304.2	43.276	77.6
August	79.7	11.369	257.7	36.745	337.4	48.114	75.1
September	102.7	14.659	346.3	49.410	449.1	64.069	79.1
III quarter	240.5	34.311	850.1	121.307	1,090.6	155.460	77.4
October	148.8	21.220	152.5	21.754	301.4	42.974	71.7
November	120.0	17.240	168.6	24.273	288.6	41.513	66.3
December	199.6	28.901	286.8	41.540	486.4	70.441	79.1
IV quarter	468.4	67.361	608.0	87.567	1,076.4	154.928	73.2
TOTAL	1,159.5	165.339	1,965.0	280.894	3,124.4	445.750	65.3
Structure		37.15%		62.9%		100.0%	

<sup>20</sup> Volume of initial GS offering – municipal bonds – are given in the next section of the report.

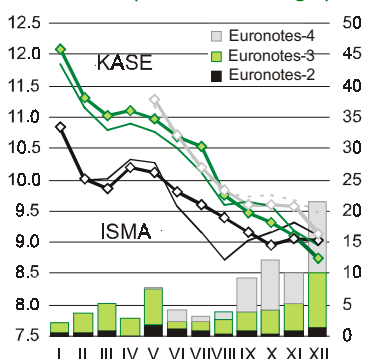
<sup>21</sup> The most correct comparable figure.

<sup>22</sup> In this paragraph the proportions are estimated at dirty prices, that is actual turnover of the money was taken into account.

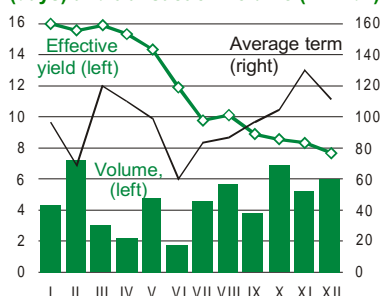
**Fig. 18: Turnover structure of GS in purchase-sale sector**



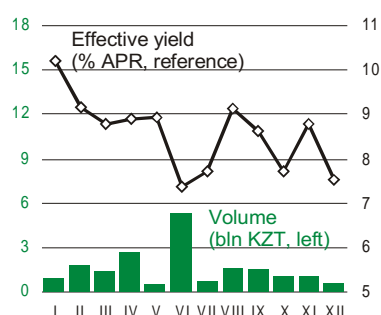
**Fig. 19: Yields of euronotes of Kazakhstan (% APR, on the left) and volume of transactions (KZT bn, on the right)**



**Fig. 20: Yields of GS in KZT (% APR) till 365 days, average circulation term (days) and transaction volume (KZT bn)**



**Fig. 21: Yields of MEKAVM and transaction volumes**



sector was enforced only on August 02, 1999. Before this introduction, “hidden” repo operations had still been concluded in the purchase-sale sector. That is why correct comparison of secondary market figures regarding turnover structure and yields for 1999-2000 looks inappropriate.

Up to January 31, 2000 trades on GS at KASE (both sectors) have been held at a single session between 11:30 and 18:00 ALT. From February 01, the session was extended to 19:30. All trades were made in the KASE trade system using uninterrupted counter auction method. Most participants have been using remote distance access mode.

Total of 3,750<sup>23</sup> deals involving 1,112,595,657 bonds were concluded in the sector. Deals were concluded on all sessions (251). Daily operational volume varied from KZT14.6m (\$102.3 th) to KZT3,026.7m (\$21.2m) and equalled in average for the year KZT658.7m (\$4.6m). Average figure of the monthly turnover is KZT13,778.3m or \$96.6m.

### Structure of turnover

The turnover structure of purchase-sale sector is presented in Fig.18. The market could be well described by following peculiarities.

The most tradable securities in the purchase-sale sector were euronotes of Kazakhstan (all three issues). The biggest contribution was made in last three months of 2000. More detailed Figure shows leading positions of euronotes of third issue (26.0%), second place is taken by MEKKAM of the Finance Ministry (25.7%), third - euronotes of fourth issue (20.6%), fourth - MEKAVM (11.1%). Thus, the turnover structure was set by structure of issued debt. By late 2000, the sector experienced growth of coupon bonds with long-term coupon bonds as a results of high liquidity of euronotes, sharp fall of yields of MEKKAM and notes of the National Bank (Fig.16). The share of bonds denominated in U.S. dollars or indexed to tenge devaluation increased from 40.1% in January to 76.4% in December. In total for the year, it equalled to 64.4%.

### Yields and influencing factors

Traditionally, interest rates set on the primary market of government bonds affect yields to maturity of bonds traded on the secondary market. This indicator had particularly pronounced impact on rates of MEKKAM and notes of the National Bank of Kazakhstan (Fig.16). Yields of euronotes (Fig.19) were shaped out under pressure of high demand from domestic investors. The volume of pension funds investments in euronotes increased by KZT74.2bn. Even without consideration of AVMEKAM restructuring (into euronotes of the fourth issue), the data suggest about stable demand on euronotes that have led to steady lowering of euronotes yields. At the same time, this demand was caused by broadening of monetary base on the one hand, and limited set of the financial instruments on the other. Some stabilisation of euronotes yields (second and fourth issues) in late 2000 was caused by local decline in demand due to October review of pension asset investment limits for APF and consecutive restructuring of their portfolios.

In first half of 2000, yields for MEKAVM on the secondary market (11.1% of the total turnover) were affected by high rates of tenge devaluation. In following months, another factor took leading position, forthcoming maturity of MEKAVM that had not been already issued by that time. Thus, influence of local market factors increased variability of bonds yields (Fig.21).

### Activity of participants and market monopolisation

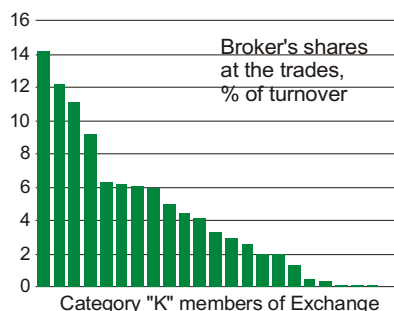
The monopolisation of secondary GS market in the purchase-sale sector was lowest among other sectors of KASE. Twenty three companies participated in trades including banks, broker dealer companies, PAMC, and SAPF. Monopolisation level was estimated using total gross position of each trader in the total turnover expressed in percents. The most active trader took 14.2% of the deals, two participants - 26.4%, three - 37.6%, five - 53.0%. The full Figure is presented in the Figure 22.

### Repo sector

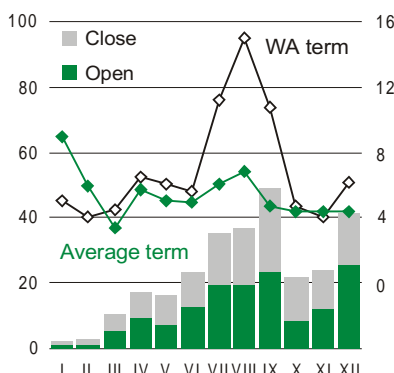
As it had been mentioned before, the sector was established on July 05, 1999,

<sup>23</sup> Only the deals, on which the settlements are made, are taken into account.

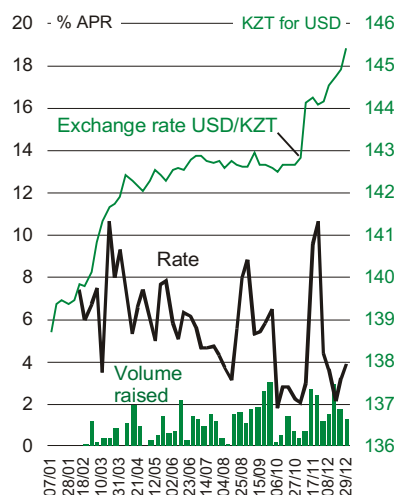
**Fig. 22: Monopolisation degree of GS market at the KASE in purchase-sale sector**



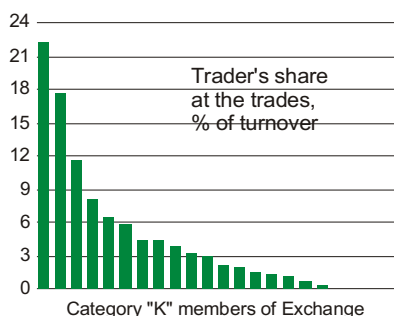
**Fig. 23: Transaction volumes (on the left, KZT bn) and average repo term (on the right, days)**



**Fig. 24: Dynamics of USD/KZT exchange rate (on the right), 1-day repo rates (on the left) and volume of raised funds**



**Fig. 25: Monopolisation degree of GS market at the KASE in repo sector**



while the ban on direct deals was set only on August 02, 1999. So, between this period, repo deals have still been concluded in the purchase-sale sector. Results of the year 2000 suggest that KASE has for the first time managed to segregate "net" value of repo market from the secondary market turnover. As a result, Kazakhstan received two important indicators of the financial market: actual yield to maturity of GS in the purchase-sale sector and repo rate dynamics that displays short-term liquidity of second-tier banks.

In total for year 2000, there were 3,696 repo deals concluded involving 1,077,485,465 securities for a total of KZT208.9bn or \$1,965.0m<sup>24</sup>. The figure included 1,864 repo-opening deals (571,368,621 securities) for KZT145.9bn and 1,832 repo-closing deals (506,116,844 securities) for KZT135.0bn. The daily volume of deals varied from KZT11.0m to KZT6.1bn and on average equalled KZT1.216bn. The average monthly sector's turnover was KZT23,407.9m. Monthly data are presented in Fig.23.

Repo-opening terms varied from 1 to 92 days. Most popular operations were overnights (34.1% of the total opening volume), three-day repo (12.9%)<sup>25</sup>, six-day (5.8%), fourteen-day (5.6%). Monthly average and weighted average terms of repo-opening deals are given in the Figure 23.

The repo operations involved various government securities. The tenge denominated bonds of the MOF took main volume of deals (54.7%). Inflation indexed MEKAVM and AVMEKAM were less popular (28.6%). Rare operations were made over euronotes and the notes of NBK (8.5% and 8.3% respectively).

The most deals were made in tenge. Volume of dollar indexed operations did not exceed 0.9% of the total turnover.

Analysis of the stock exchange repo operations suggest that rates and borrowing amounts were mainly defined by volumes of free funds on the correspondent accounts of second-tier banks. Short-term money were popular in two situations: first, low banking liquidity when banks raised money from PAMC and SAPF, second, excessive liquidity when cheap money were used for operations on the foreign exchange market. Thus, short-term repo rates (mainly overnights) and borrowing volumes became good indicators for short-term forecasting of the forex market developments. For instance, Fig.24 clearly shows that sharp dollar growth and increase of repo volumes could be easily associated with lowering of repo rates to the critical levels.

The monopolisation level was somewhat high. Twenty two companies were participating in the sector including banks, broker-dealer companies, PAMC and SAPF. Monopolisation level was estimated using total gross position of each trader in the total turnover expressed in percents. The most active trader took 22.3% of the deals, two participants - 39.9%, three - 51.6%, five - 66.0%. The full Figure is presented in the Figure 25.

## Settlement procedures

In the reported year all settlement procedures on GS at KASE were conducted according to the scheme «T+0». This means that settlements were made on the day deals were concluded. The implementation of transactions according to this scheme is done exclusively through CSD in the order stipulated by its internal standard documents. Cash settlements are conducted only through correspondent accounts opened in the National Bank. Auction participants, which have had no accounts in the National Bank, made settlements through accounts of KASE or third parties possessing such account.

The general order of settlements is following:

1. The KASE trade system registers a deal.
2. If a deal is concluded on account of a participant of the Confirmation System, the information on a deal is transferred to the participant for confirmation.
3. After the transaction is concluded and confirmed, the KASE trade system forms a message in S.W.I.F.T. format and sends it to CSD.
4. CSD freezes securities on the seller's account and writes money off from

<sup>24</sup> An equivalent was calculated at current servicing rate for each type of bond, which was in effect on the date when each deal was made on.

<sup>25</sup> These are mainly – one-day repos from Friday till Monday.

buyer's account to the seller's account. If any party fails to present appropriate amount of securities or money on the accounts, transaction will be rejected with consecutive notification of the KASE trade system.

5. If a transaction to write off money is successful, CSD transmits securities from the seller's account to the buyer's account and sends the Exchange a confirmation.

The whole procedure, from conclusion of a deal to the moment of its execution, takes from 10 to 20 minutes.

## MUNICIPAL SECURITIES MARKET

In 2000 the KASE continued working in the direction of improving its normative base, which regulates the rules set for securities of local executive bodies in order for them to be admitted to the trades of the Exchange. The basis of the market were founded in 1999 through two normative documents: "Rules for the government securities admittance to the circulation at the Exchange" and "Rules for conducting the initial public offerings of the securities", which were approved on June 21, 99 at General meeting of the KASE members and by the resolution #358 of the NSC Directorate, dated June 29, 1999.

From August 15, 2000 at the KASE new normative document went into force – "Obligations and rights of the KASE members holding "K" category, having a market-maker status of one of the local executive body's bonds". This document was compiled and approved in compliance with "Market-maker activity regulation", which is in effect at the Exchange, and it regulated the activities of the market-makers of the securities issued by local executive bodies at the KASE.

In September the Exchange returns to the normative base of this sector of the market and from Sept 25, 00 introduces a new edition of the GS admittance to the circulation at the KASE. The changes, except for editorial ones, are aimed at introducing more details and expanding the requirements set by the Exchange to the issuers of bonds of local executive bodies. The list of requirements on disclosure of issuer's financial information both upon passing the admittance to the trades and during the circulation of the securities at the Exchange, mandatory presence of the market-maker of municipal bonds at the KASE is enforced, mandatory listing fee was set. Besides, from September 25 modifications and amendments to "Rules for conducting the initial public offering auctions" were enacted. New rules apply to all the GS, except for those issued by the Government and the National Bank of Kazakhstan. Since only the GS of executive bodies have been offered at the Exchange, actually new rules were applicable to these bonds. Changes and amendments mostly concerned the authorities of the GS offering agent, if he is a nominal holder of these securities, as well as the specifics of the document handling related to the conducting the auctions, and the money transfer discipline of the auction participants for the bonds purchased at initial offerings of the bonds.

Compared to previous year, in 2000 this sector of the market was developing more slowly. Only one executive body – akimat of Atyrau region – showed its interest in issuing its debt. Other municipal bodies were either servicing already issued securities, or considering the possibility of attracting money on the Kazakhstani market. At the beginning of 2000 there were bonds issued by three executive bodies in circulation:

- ✦ discounted bonds of Mangistau region (NIN – KZ71B2807A05, KASE code – MGU012.001; issue volume – equivalent of \$3,468.1 th.; July 28.99 - July 28.00; yield at initial offering – 14.71% APR);
- ✦ discounted bonds of Almaty (KZ71K2512A00, ALU012.001; \$3,270.6 th.; Dec 24.99 - Dec 25.00; 13.00% APR);
- ✦ coupon bonds of Astana (KZ71L2612A08, ASU.012 001; \$1,085.3 th.; Dec 27.99 - Dec 26.00; semi-annual coupon at 13.00% APR).

All bonds were indexed towards the change in KZT/USD exchange rate, since they have a face value of \$100 and are serviced in tenge at current exchange rate.

During the year the issuers met all their obligations on all issues, including the coupon payments and principal repayments. Based on the statements of the executive bodies' representatives, both the akimats of Mangistau and Almaty regions planned new borrowing for even more greater amounts (Mangistau – \$5m, Almaty – KZT1.0bn) in 2000 and even for more longer period of time. However, the issues were not conducted.

The auction for offering the bonds of Atyrau region was conducted in the trade system of the KASE on July 7, 2000. The bonds were admitted to the circulation at the Exchange by the decision of the Exchange council, dated June 29. By the resolution of the NSC Directorate of July 5 the PAMC and SAPF were allowed to purchase them using the pension assets. The issue characteristics and the main offering parameters are given in the table and graphs.



## Bonds of Atyrau region

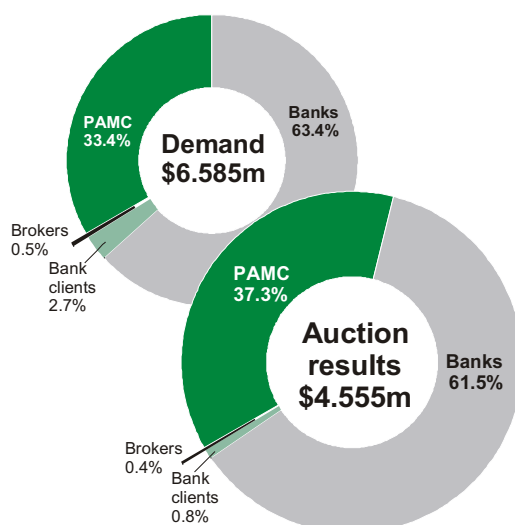


Financial consultant of the issuer  
Fondovyi servis CJSC (Almaty)

**KAZAKHSTAN LEGAL GROUP**  
Legal appraisal of the project



Financial agent of the issuer –  
Kazakhstan Stock Exchange CJSC



Issuer: Executive body (akimat) of Atyrau region of Kazakhstan

Type of the securities: coupon bond indexed towards the change in

NIN: KZT/USD exchange rate

KZ7041007A10

KASE code: ARU012.001

Face value: USD100.00

Issue date: 29.06.00

Circulation starts on: 10.07.00

Maturity: 10.07.01

Circulation term: 364 days

Coupon: semiannual

Coupon payment dates: 10.01.01, 10.07.01

Floated: 45,550 bonds

Volume raised: KZT649,998,500.00

Maturity volume: equivalent of USD4,555,000<sup>26</sup>

Cut-off yield: 10.99% APR

Specified coupon rate: 10.99% APR

Fund raising goals: reconstruction and resurfacing of automobile roads in Atyrau

It should be noted that due to insignificant issue volumes municipal securities have a small proportion in the state debt structure of Kazakhstan<sup>27</sup>. As of early 2000 it was 0.55% of all issued debt, and by the end of the year it reached 0.25%.

Secondary market of municipal bonds was very narrow in 2000. At the KASE a total of 28 deals were made in these securities, where 36,580 bonds for a total of KZT483.4m were used, which is only 0.108% of total GS turnover at the KASE. Four deals (24,780 bonds) amounting to KZT323.4m were made in bonds of Almaty, 24 deals (11,800 bonds) amounting to KZT160.0m – bonds of Mangistau region.

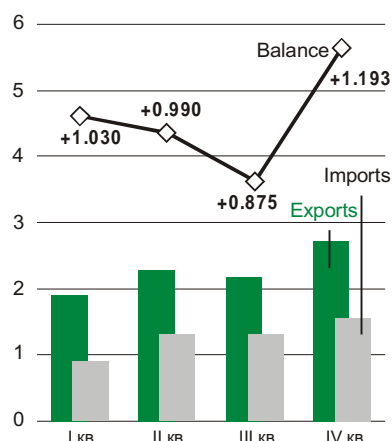
Developments of the reporting year makes it possible to expect a noticeable expansion of the municipal debt market in 2001, since a number of executive bodies began working on the direction of receiving a credit ratings from the world's leading agencies. Thus, in November 2000 Atyrau region announced a tender on determining a financial consultant for a new borrowing, as well as a contest for the selection of an international rating agency in order to assign a credit rating to the region. In December 2000 the Fitch IBCA agency informed that it had assigned "BB-" rating to Mangistau region for long-term borrowings in both foreign and local currencies. The rating forecast is "stable".

<sup>26</sup> At official rate of KZTUSD set by the National Bank of Kazakhstan on July 09.01.

<sup>27</sup> Municipal securities have a status of government securities in Kazakhstan, and the Ministry of Finance sets borrowing quotas for each executive body.

## FOREIGN EXCHANGE MARKET

**Fig. 26: Trade balance of Kazakhstan in 2000**



The development of the currency market in Kazakhstan in 2000 was mainly characterised by positive trends. By preliminary estimates, GDP of Kazakhstan grew by 9.6% within a year, relative to 1999, at KZT2.596 trln. It places Kazakhstan on a leading position among the CIS countries based on economic development indicators. By the data of the National Bank, in last five years on some indicators (average salary, pensions, GDP per capita) Kazakhstan improved its positions relative to other CIS countries, and on such figures as aggregate devaluation and inflation for the last five years the country is on the same positions as Poland and Hungary. Nominal exchange rate of the tenge against the U.S. dollar remained relatively stable during the year compared to other currencies of the CIS countries. By the results for the year tenge devalued only by 5.2% (in previous year – by 64.6%), which is observed by the dynamics of weighted average rate KZT/USD rate at the Exchange. Weighted average market rate of the dollar at the Exchange equalled KZT142.52 per unit in 2000 (for 1999 – KZT126.59). At that, the inflation fell almost two times during the year: from 17.8% to 9.8%.

The development of the currency market in reporting period was influenced mainly by a positive trade balance of the country (Fig.26). The trade balance of Kazakhstan on current accounts equalled \$1,073bn in 2000, or 5.9% of GDP compared with negative balance of \$233.3m in 1999. Such situation was mostly attributable to favourable situations on the world commodity markets related to the major Kazakhstani export items. And the switch to a free floating exchange rate of the tenge in April 1999 made it possible to take the most of this market situation by increasing competitiveness of the Kazakhstani raw materials on international markets.

The effect of this factor predetermined big inflow of foreign currency into Kazakhstan in 2000, and it was mainly U.S. dollars. Big supplies of this currency by the exporter companies both at the KASE and out of the Exchange, on one hand, worked towards the stabilisation of the exchange rate of tenge against the major reserve currency of the world, and on the other hand – allowed the National Bank to increase net gold and forex reserves by \$573.1m (37.7%) to \$2,093.9m and forced the monetary mass to expand. The latter increased by 45.9%, to KZT399.5bn in 2000. Meanwhile, monetary base grew by KZT7.2bn (5.7%), to KZT134.0bn (Fig.27). Favourable trends in the economy allowed the National Bank to repay its \$397.2m debt to the International Monetary Fund ahead of the deadline in May 2000.

Stable exchange rate of the Russian rouble played an important role for the currency market of Kazakhstan.

Following are the major events of the reporting year, which affected the development of the currency market of Kazakhstan at the Exchange.

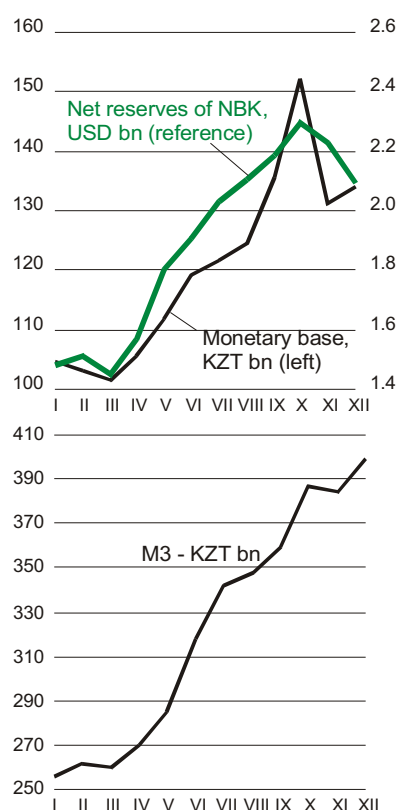
**From January 1** a new normative document of the KASE “Specifications of the U.S. dollar market-maker” was enacted (supplement to the document “Conduct rules of the market-makers”). Thanks to it, it became possible to buy or sell the dollars at the Exchange at market rates during the whole trading time of the additional (day) session of the KASE, since the market-maker is obliged to maintain mandatory bid and ask prices of the USD for at least \$300 th in the trading system.

**On January 11** the first market-maker of the U.S. dollar - Bank TuranAlem OJSC - began working at the KASE.

**From February 1** the membership fee has been reduced down to an equivalent of \$500 in Kazakhstan tenges for the market-makers of foreign currencies at the KASE.

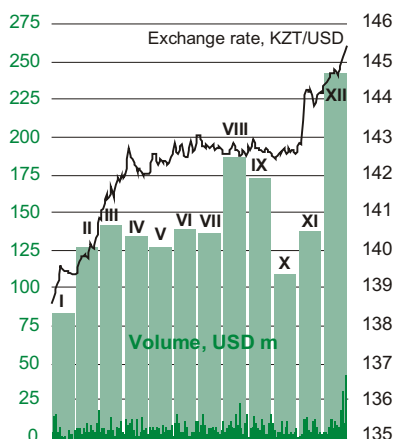
**From February 1 through 29**, as an experiment, it was decided not to collect a commission from the members of the Exchange holding “B” category, who have already paid their monthly membership fees at an equivalent of \$750, irrespective of the volumes of the deals made by them at the foreign exchange trades of the Exchange. The experiment allowed to increase the proportion of comparable operations in foreign currencies made at the Exchange on a traditionally sluggish and mostly over-the-counter market of February to 27.9% from 24.4% in January.

**Fig. 27: Dynamics of main monetary aggregates and gold-hard currency reserves of the NBK in 2000**





**Fig. 28: Indicators of the U.S. dollar market of the Exchange**



**From March 1** a new payment system of the Exchange's fees collected for the participation in the foreign exchange trades was introduced. The members of the Exchange has two payment options. The first one means the payment of monthly membership fee at an equivalent of \$750. The members, who paid this amount, will receive a right to make deals in foreign currency for a total of \$1.5m or less (total monthly open position) without paying a commission. The commission is charged using the previous methods on a amount in excess of an equivalent of \$1.5m. The second option: monthly membership fee at \$1,000, trades without paying a commission at the Exchange. The introduction of this system allowed to increase the proportion of comparable operations in foreign currencies made at the Exchange in March to 36.2% relative to 27.9% in February and 24.4% in January (Fig.31).

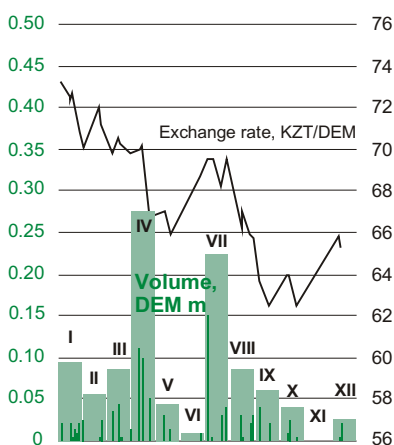
**On March 15** the rules for selling the securities that are blocked in favour of the Exchange by its members in order to meet their obligations were adopted. Thanks to this method, in the second quarter of 2000 the sellers of foreign currency began using this GS blocking method in CSD to cover their obligations in foreign currency.

**From April 15** the limit for selling the U.S. dollars at the KASE by the banks, who did not switch to immediate delivery terms of the currency after the trades, was lowered by 50%. This measure was taken to stimulate the trade participants to switch to an immediate delivery method of the currency. From July 1, the limits were reduced by another 50%, and from August 1, 2000 the banks-participants of the trades, who did not switch to immediate delivery terms, were transferred to limited sales method, where the trade participant transfers the currency he has sold in favour of the KASE without payment settlement term limitations, but not later than on the day when the deal was made on. As a result of these measures, at the end of 2000 immediate delivery terms were used by 24 banks at the Exchange.

**On June 16**, by the decision of the Currency market committee of the KASE Exchange council a new normative document of the KASE was approved: "Specification of the Russian rouble market-maker status" (supplement to the document "Conduct rules of the market-makers"). The decision was made within the framework of the resumption of the trades in the Russian roubles at the KASE. Based on approved specifications, during the whole trading time of the additional (day) session of the KASE the market-maker should constantly maintain mandatory bid and ask prices of the RUR for at least 3.0m. The agreement with the first market-maker of a rouble at the KASE – Bank TuranAlem OJSC – was signed on September 23. On October 6 similar agreement was signed with Bank Caspian.

**On October 20** the trades in the Russian roubles were resumed at the KASE<sup>28</sup>. The trades were opened on TOD terms (on the deal striking day, currency delivery against the payment) within additional (day) session of the KASE.

**Fig. 29: Indicators of the Deutsche mark market of the Exchange**



## FOREIGN EXCHANGE TRADES

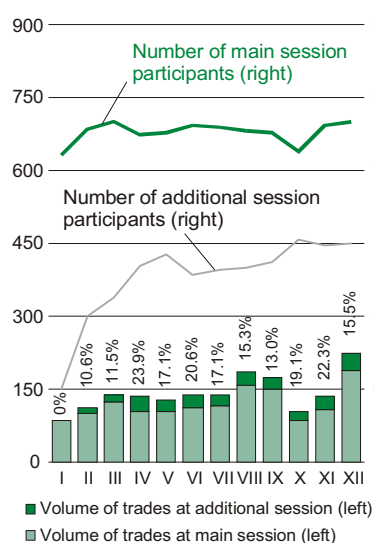
In 2000 at the KASE following currencies were traded in foreign exchange sector: U.S. dollar (settlement terms TOD, TOM, SPOT), Deutsche mark (TOD, TOM), euro (TOD, TOM) and Russian rouble (TOD). Each day three sessions are held: morning (main – TOD), day (additional – TOD) and evening (TOM, SPOT). If the states, whose currencies are traded at the KASE, had a holiday, then the trades in those currencies are held on TOM settlement terms at the main and additional sessions of the Exchange.

The trades in DEM and EUR on TOM terms were opened at the KASE as evening trades on February 20, 2000. From October 20 these trades had been cancelled due to a complete absence of the traders' interests in these financial instruments (during all this time no bids had been made). As it has been mentioned in previous section, the trades in Russian roubles were resumed at the KASE at additional session on October 20, 2000 after a 4-year break.

All foreign exchange trades were held in electronic trading system of the KASE

<sup>28</sup> Organised market of a rouble once existed in Kazakhstan already. The trades have been held up until July 05.96. However, due to the bankruptcy of Tveruniversalsbank and its failure to meet its obligations to the KASE and its members the trades had been suspended.

**Fig. 30: Volume of trades, share of the day session and number of participants**



**Tab. 15: Settlements terms of USD turnover at KASE in % of trade volumes**

Month	TOD	TOM	SPOT
January	100.0	0	0
February	86.3	12.0	1.7
March	97.8	1.0	1.3
April	99.8	0.2	0
May	100.0	0	0
June	100.0	0	0
July	100.0	0	0
August	100.0	0	0
September	99.9	0.1	0
October	96.4	3.6	0
November	98.1	1.9	0
December	92.0	8.0	0
<b>Total</b>	<b>97.3</b>	<b>2.5</b>	<b>0.2</b>

using uninterrupted counter auction mode. Most of the participants were using a remote access.

Total number of foreign exchange trade sessions equalled 750 (252)<sup>29</sup> in 2000. The most successful were traditionally the morning (main) trades in U.S. dollars – deals were made on all sessions. However, the day session was gradually gaining a popularity among the traders (Fig.30). Beginning from April the volume of the additional trades often equalled that of the main session, and sometimes it exceeded the latter. The development of the day market was mainly due to the appearance of the U.S. dollar market-maker at the KASE at the beginning of the year, which is Bank TuranAlem OJSC. Despite all the advantages of being a market-maker of the dollar at the KASE, the list of market-makers at the Exchange did not grow in 2000.

The reporting year showed that the trades, which are held at the Exchange on TOM and SPOT terms, are of less interest of the banks, even if the matter is about the most frequently traded currency – the U.S. dollar (Tab.15). The most of the volumes of deals made on TOM terms (\$35.9m, or 2.1% of total turnover of dollars at the KASE on TOM terms)<sup>30</sup> are the deals made at the morning and day sessions during holidays in the USA. On business days in the USA only 31 deals were made on USD\_TOM terms for a total of \$7.15m (0.41% of all USD turnover and 16.6% of all USD\_TOM turnover) on a special evening session of the KASE. Of this number 13 sessions were successful, which were mostly held in February and March. Total volume of 12 deals made on SPOT terms (all of them were made at the evening session in February and March) did not exceed \$4.0m, which is 0.23% of all the U.S. dollar turnover at KASE. Only 10 trades were successful. In the second half of 2000, except for rare cases, the traders were limiting themselves to sluggishly putting out USD\_TOM and USD\_SPOT bids, which often did not seem to be representative and had wide spreads.

Total of 21,828 (37,492) deals had been made in U.S. dollars using different settlement terms in the trading system of the Exchange, for DEM – 56 (438), for EUR – 33 (139) and for RUR – 5. At the morning trades 12 (9) to 24 (29) traders were participating. The number of the participants has fell somewhat compared to previous year, since 18 traders on average have been working at the morning session. In 1999 – 20.

Detailed data on the volumes of foreign exchange trades at the KASE are given in the table (Tab.16). For a comparison the volume of foreign exchange trades at the Exchange in 1999 equaled<sup>31</sup> \$2,124,845.2 th., in 1998 – \$1,312,930.1 th., in 1997 – \$1,115,341.8 th., in 1996 – \$1,314,637.0 th., in 1995 – \$2,017,096.0 th., and in 1994 – \$1,215,314.0 th.

**Tab. 16: Volumes of trades in foreign currencies at KASE**

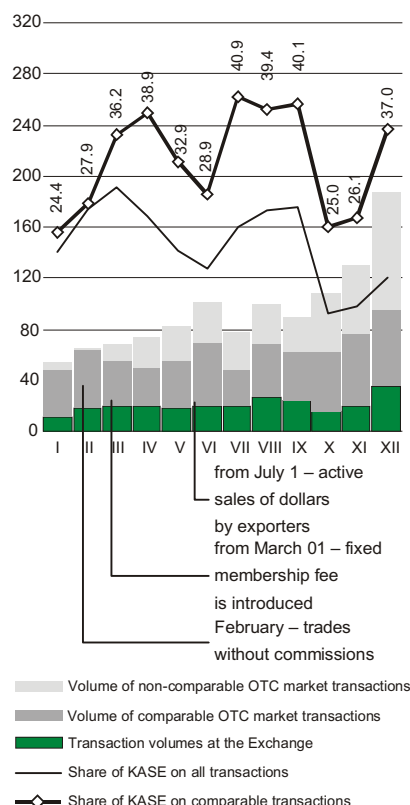
Month	Trade volume, units th				Trade volume, KZT th	Turnover equivalent, USD th	
	USD	DEM	EUR	RUR		to 1999	2000
January	84,120	95	0	0	11,704,821.0	-57,099.0	84,169.2
February	127,370	55	210	0	17,852,357.4	+111,502.6	127,607.6
March	142,275	85	395	0	20,181,668.3	+60,393.0	142,698.0
<b>I quarter</b>	<b>353,765</b>	<b>235</b>	<b>605</b>	<b>0</b>	<b>49,738,846.6</b>	<b>+114,796.6</b>	<b>354,474.8</b>
April	134,910	275	265	0	19,244,973.5	-36,593.1	135,305.6
May	127,195	45	45	0	18,107,898.5	-85,521.2	127,257.3
June	139,860	10	10	0	19,951,740.5	-67,966.3	139,874.3
<b>II quarter</b>	<b>401,965</b>	<b>330</b>	<b>320</b>	<b>0</b>	<b>57,304,612.5</b>	<b>-190,080.6</b>	<b>402,437.2</b>
July	137,060	225	20	0	19,589,498.9	-66,107.2	137,184.3
August	186,230	85	0	0	26,562,805.4	-58,858.7	186,266.3
September	173,500	60	0	0	24,760,191.8	-112,225.3	173,526.0
<b>III quarter</b>	<b>496,790</b>	<b>370</b>	<b>20</b>	<b>0</b>	<b>70,912,496.1</b>	<b>-237,191.1</b>	<b>496,976.5</b>
October	109,110	40	0	0	15,558,787.6	-141,288.4	109,127.9
November	137,950	0	0	4,300	19,883,918.0	-95,707.3	138,104.3
December	242,035	25	0	7,100	35,124,749.7	168,046.0	242,299.6
<b>IV quarter</b>	<b>489,095</b>	<b>65</b>	<b>0</b>	<b>11,400</b>	<b>70,567,455.3</b>	<b>-68,949.7</b>	<b>489,531.8</b>
<b>Total in 2000</b>	<b>1,741,615</b>	<b>1,000</b>	<b>945</b>	<b>11,400</b>	<b>248,523,410.3</b>	<b>-381,424.8</b>	<b>1,743,420.4</b>

<sup>29</sup> Hereafter corresponding figures for the year 1999 are given in parentheses.

<sup>30</sup> Total volume of deals on USD\_TOM in 2000 equaled \$43.1m, or 2.5% of the Exchange's turnover of the U.S. dollars.

<sup>31</sup> Dollar equivalent is given.

**Fig. 31: Sectoral structure of the foreign exchange market's turnover and the share of the KASE**



## Currency turnover structure

No significant changes in currency turnover structure took place in reporting period. The structure was changing towards further "dollarisation", though the trades in Russian roubles were resumed. When the structure is calculated in terms of tenge, 99.90% (99.63%) of all deals made at the Exchange are those made in U.S. dollars; 0.03% (0.20%) – Deutsche mark; 0.05% (0.17%) – in euro and 0.02% (0%) – in Russian rouble. Thus, significant decline in the trading frequency of the European currencies at the Exchange is typical to the reporting year.

## Sector turnover structure

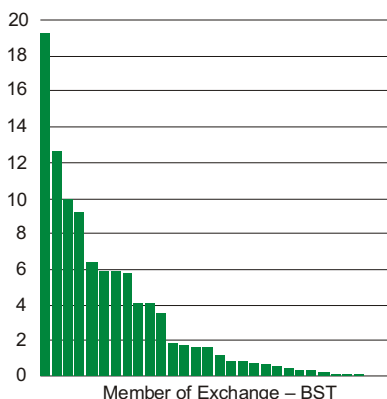
In 2000 the proportion of foreign currency turnover at the Exchange on comparable transaction in Kazakhstan varied from 24.4% (January) to 40.9% (July). On average this figure equals 33.08%. For the main currency – U.S. dollar – 33.26%. In 1999 when mandatory sales of half of currency earnings for the exporters was in effect (from Apr 5, 99 through Nov 5, 99), the proportion of the Exchange was at 49.81% and 50.84%, respectively.

When calculating these figures, it was assumed that only banks-residents of Kazakhstan can make the deals at the Exchange. Therefore, the comparison of the Exchange's turnover can be made only with the volumes of over-the-counter deals made by the banks-residents. When calculating the turnovers of the Exchange and over-the-counter market, it was also taken into account that the total amount of all two-sided deals is used as a volume of trades in the report of the KASE. Therefore, when making comparisons with the volume of over-the-counter market, the average of sales and purchases was used, or the value of the Exchange's turnover was doubled. All comparisons had been made in tenge equivalent calculated at real exchange rate of an each concluded deal.

The results of an analysis of the factors that affect the change in the proportion of the deals made at the Exchange revealed that the measures taken by the Exchange in order to optimise the commission and membership fees had a significant, but not the final impact on professional participants in 2000 (Fig.31). The complex of measures taken by the KASE in this direction increased the proportion of an organised component of the market from 24.4% in January to 38.9% in April. However, later on the proportion has fallen, and the part of the foreign exchange turnover moved away from the trading floor of the Exchange. Increase in the proportion of the Exchange on the market in the second half of the year was due to the factors that are based on the situation.

In general, it should be noted that the volume of trades at the Exchange had a weak correlation with the change in the total volume of the country's currency market. The main reason is a significant positive payment balance of Kazakhstan. Total settlement amounts with the banks-residents of Kazakhstan was gradually and constantly increasing (Fig.31), as the volumes of exports and imports were growing (Fig.26), which allowed the proportion of the Exchange within whole currency market of the country to fall under more constant turnover among the residents at the Exchange. Total volume of national interbank currency market is estimated by the KASE at \$7,501.0m in 2000, including: at the KASE – \$1,743.4m, out of the Exchange among the banks-residents – \$3,532.7m, out of the Exchange with non-residents of Kazakhstan – \$2,224.9m.

**Fig. 32: Monopolisation level of the USD market of the Exchange (% of total gross-position)**



## Market monopolisation

The monopolisation of the Exchange's sector of currency market increased noticeably in 2000 relative to previous period. Mainly it was due to the appearance of the U.S. dollar market-maker at the KASE, who has privileges on commissions and membership fees. The proportion of the most active (based on the volume of concluded deals) second tier bank in gross turnover of the USD trades equalled 19.3% (15.4%), four of them – 51.1% (48.1%), eight – 75.1% (75.5%), eleven – 86.7% (85.8%), fifteen – 93.4% (92.7%). During the year 29 (32) banks participated in the trades.

These data show that as before the situation on the currency market of the Exchange was controlled by 6-8 participants. No principal changes have been observed in last three years in the market monopolisation.

## SETTLEMENT PROCEDURES ON FOREIGN EXCHANGE

During the reporting period all settlements on the deals made in foreign exchange were made by the Clearing house of the KASE. The department's activities were regulated by normative documents of the KASE "Settlement rules for the foreign exchange trades", "Trade and settlement rules for futures contracts", as well as other normative acts. The settlements in Kazakhstani tenges and foreign currencies were made by the results of the trades by making payments that settles net-obligations created as a result of the clearing of mutual claims and obligations on concluded deals.

### Settlements in Kazakhstani tenges

Settlements in tenges were made through correspondent accounts of the KASE in Payment system department of the National Bank of Kazakhstan of interbank money transfer system using the payment system of the National state enterprise "Kazakhstan Center for Interbank Clearing" (Almaty). The settlements were made in a real-time mode.

### Settlements in foreign currencies

In 2000 the participants of the trades were made the payments in foreign currencies for paying off their net-obligations to the Exchange by using two methods:

- ⊕ by immediate delivery method, where the trade participant is to transfer the foreign currency that was sold by him to correspondent accounts of the Exchange not later than at 4:30PM of Almaty time;
- ⊕ by limited sales method, where the trade participant transfers the currency that he has sold to the KASE without time limits, but not later than on the day when the deals were made on.

From August 1, 2000 mostly immediate delivery method was used for settling the accounts in U.S. dollars. The banks, which do not work using this method, were admitted to the trades only after making advance transfers of the currency to correspondent account of the Exchange. Total of 24 banks used immediate delivery method for settling accounts in the reporting period.

In the second quarter of 2000 the sellers began using the blocking of the government bonds in the CS to cover their obligations in foreign currency (these GS blocking pattern was also used for making insurance deposits to participate in the futures trades on U.S. dollars).

International correspondent network of the Exchange in 2000 was maintained through S.W.I.F.T. system. As a reserve system of working with correspondent banks the Exchange used "Bank-client" payment systems.

During the reporting period the KASE maintained its co-operation with the following correspondent banks: Bankers Trust Company (settlements in USD, New-York, USA); The Bank of New York (USD, New-York, USA); Commerzbank AG (DEM, EUR, Frankfurt on Main, Germany); Deutsche Bank AG (DEM, EUR, Frankfurt on Main, Germany). Correspondent accounts have been closed in American Express Bank Ltd. (USD, New-York, USA) и Bankers Trust Company (DEM, Frankfurt on Main, Germany).

## FUTURES MARKET

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In reporting year the KASE kept working on the development of the futures market. The goal of this work was, on one hand, expansion of existing currency futures market, and on the other hand – creation of the normative base for the options market.

At the beginning of the year on the country's futures market there was only one type of futures contracts – non-delivery or so-called settlement futures. The settlements among the participants of the trades in this type of futures were made on the basis of the difference between initial deal price and final settlement price of the underlying assets, which was determined as a weighted average price of the USD at the Exchange on the same day (TOD) delivery terms for the last five days of the trades till the execution date, including that day. The execution term of the contract was the last Friday of each month.

Thanks to the interaction with the members of the Exchange and the members with their clients, in the first quarter of 2000 certain achievements were made in this sector of the market. The volume of open interest on the trading floor of the Exchange reached a record high for Kazakhstan – \$11,050.0 th. The same thing applies to the volume of deals. For example, on February 1, 2001 it equalled \$43,450.0 th., exceeding the volume of transaction in base asset on this day 7 times. Statistical results of the year are also break the record for Kazakhstan, which show that total volume of deals in currency futures at the KASE reached \$66,870.0 th.

However, it should be also stated that in reporting year the market did not develop as it could do. In the second half of the year the traders were appearing on the trading floor once a month to correct the contract prices depending on the movements of the values of the base asset and mainly closing their positions. On the last Friday of November KASE calculated and closed the last position on November futures, and no new positions were opened by the participants. As a result, the second attempt of creating a futures contract at the Exchange, which was made by the KASE in March 1999, ended just like the first one<sup>32</sup>.

The reasons for the market underdevelopment are the same – the absence of a real hedgers. Despite of a significant growth of external trade transactions in reporting year, the clients of the banks are still not using the advantages of the futures market in terms of hedging the external trade transactions. Particularly, it can be explained by the stability of the Kazakhstani tenge against the dollar relative to previous years, as well as compared with other currencies, including those of developed countries. The banks were not interested in speculations with the futures due to the narrowness of the market and impossibility of eliminating unprofitable positions with minimal risks in critical situations. In 2000 only some participants demonstrated their interest in working on futures market. However, they were not enough to provide for the market liquidity.

Under the preparation and modification of the normative base of the futures market, from July 1, 2000 new “Rules for trades and settlements on futures contracts at the Exchange” was introduced at the KASE. The main changes concerned the options trades. However, options trades have not been launched due to an absence of the traders' interest. In new rules the deposit margin for futures contracts is not determined by the specifications of the contract, but set by the Exchange depending on the current situation on the base asset market.

Besides, new edition of the KASE normative document “Order of making guarantee payments and deposit margin by the clearing members” was introduced. Beginning from July 1 deposit margin for open positions in futures can be paid in Kazakhstani tenges at 100%. Total proportion of U.S. dollars and GS in deposit margin on open positions in the futures should not exceed 80%. The rules state that the deposit margin, including the load, on open positions of European options can be paid at 100% both in Kazakhstani tenges and U.S. dollars, or GS without limitations. Deposit margin, excluding the load on open positions of the American options also can be made at 100% both in Kazakhstani tenges and U.S. dollars, or GS without limitations. And only the load on open positions of the American options should be made in Kazakhstani tenges.

<sup>32</sup> The first attempt turned into an active market of currency futures in 1996. However, it did not develop any further, and this sector of the market ceased to work in late 1997.



**Tab. 17: Results of trades  
in \$1,000 futures**

Month	Number of deals	Volumes of deals, USD th	Volume of opened interest, USD th
January	1	1,000.0	0
February	17	43,455.0	5.0
March	9	305.0	5.0
<b>I quarter</b>	<b>27</b>	<b>44,755.0</b>	<b>5.0</b>
April	0	0	0
May	0	0	0
June	7	12,100.0	11,050.0
<b>II quarter</b>	<b>7</b>	<b>12,100.0</b>	<b>11,050.0</b>
July	3	2,510.0	10,000.0
August	4	7,490.0	10.0
September	0	0	0
<b>III quarter</b>	<b>7</b>	<b>10,000.0</b>	<b>10.0</b>
October	1	5.0	5.0
November	1	5.0	0
December	0	0	0
<b>IV quarter</b>	<b>2</b>	<b>10.0</b>	<b>0</b>
<b>2000</b>	<b>43</b>	<b>66,870.0</b>	<b>0</b>

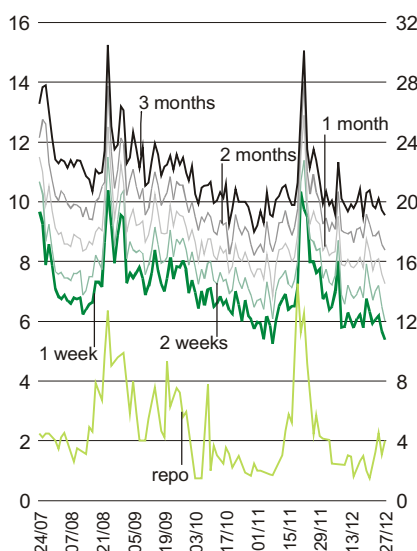
All innovations of the KASE, approved by the Exchange council and the Currency Market Committee of the Exchange council, did not lead to the expansion of the market.

The futures trades were held at the KASE during reporting year, as it has been done before, on a daily basis by using double counter auction mode in electronic trade system of the Exchange. The trade session partially covered the morning and day trades in base asset, which allowed the bank dealers to make deals in futures contracts during the main and additional sessions of the KASE in foreign exchange. The futures trades can be accessed via a remote access mode as before.

Total of 11 futures were used to make deals in 2000. The most popular, based on the number of deals and volume of deals, were June (FUSD0006UN) and July (FUSD0007UN) futures. Each of them was used to make 7 deals for a total of \$11,290 th and \$14,850 th, respectively. The statistical characteristics of the market is presented in the table (Tab.17).

## INTERBANK DEPOSITS MARKET

**Fig. 33: Dynamics of KIBOR rates (on the left) and actual repo rates for one day (on the right) in % APR**



**Tab. 18: Average monthly values of interbank deposits market in 2000**

Month	Indicator	7 days	14 days	1 month	2 months	3 months
VIII	KIBOR	7.53	8.29	9.37	10.46	11.63
	KIBID	4.21	4.82	5.71	6.53	7.34
	KIMEAN	5.87	6.56	7.54	8.49	9.49
IX	KIBOR	7.55	8.35	9.30	10.34	11.32
	KIBID	4.01	4.66	5.44	6.08	6.81
	KIMEAN	5.78	6.50	7.37	8.21	9.06
X	KIBOR	6.60	7.41	8.25	9.13	10.11
	KIBID	2.51	3.13	3.77	4.43	4.94
	KIMEAN	4.55	5.27	6.01	6.78	7.53
XI	KIBOR	7.04	7.85	8.76	9.70	10.64
	KIBID	2.25	2.91	3.65	4.48	5.26
	KIMEAN	4.65	5.38	6.20	7.09	7.95
XII	KIBOR	6.24	7.12	8.09	9.06	10.01
	KIBID	1.88	2.66	3.51	4.32	5.14
	KIMEAN	4.06	4.89	5.80	6.69	7.57

On July 11, 2000 professional participants of the Kazakhstani financial market, represented by the major banks, made a decision to create a generally accepted indicator of interbank deposits market of Kazakhstan, which could be the Kazakhstani LIBOR based on its calculation method. For this purpose the Memorandum on the creation of the interbank deposits market indicator was developed. The participants of the memorandum delegated the KASE to collect current deposits rates from the participants of the project and calculate the indicator.

Based on the terms of the memorandum, its participants voluntarily assumed an obligation to put out the bid and offering rates for all deposit terms, set by the Exchange council, in the trading system of the KASE on a daily basis. The quotations of the rates and calculation of the indicator is regulated by internal document of the KASE "Calculation method of the interbank deposits market indicator", which was approved and introduced on July 11, 2000 by the decision of the KASE Board. Preliminary list of the banks was created by the Exchange council on the basis of the bank's reputation and its activity on the deposits market. In order to be admitted to the creation of the indicator the bank has to sign the memorandum.

### Methodology

Till 4:00PM Almaty time each admitted participant sets its own indicative rates for a standard deposit term in the trading system of the KASE, which should include borrowing, lending rates, as well as corresponding borrowing and lending volumes. The minimum volume should be not less than KZT15m. The rates, put out the participants of the memorandum, are not mandatory, that is, it is not necessary to make the deals at indicated rates.

The rates are fixed by the KASE daily based on the rates of the participants at 4:00PM Almaty time. The rates, put out by the participants, are ranged in ascending order (declining), maximum and minimum values are discarded, and remaining values are used to calculate average arithmetic mean. This average rate is the indicator for corresponding term and fixing date.

### Dynamics of the rates

The KASE started the project on July 18, 2000, and regular calculations of the indicator based on the rates of the banks began on July 24.

In 2000 the Exchange was calculating 3 indicators:

- ⊕ KIBOR – average value of offering rates;
- ⊕ KIBID – average value of borrowing rates;
- ⊕ KIMEAN – average value between offering and borrowing rates.

At the time, when the project was steadily underway, following participants joined the project: Bank TuranAlem OJSC, CITIBANK KAZAKHSTAN CJSC, Halyk Bank of Kazakhstan OJSC, Bank CenterCredit OJSC, ABN AMRO BANK KAZAKHSTAN CJSC, KAZKOMMERTSBANK OJSC, Almaty Merchant Bank OJSC, Demir Kazakhstan Bank OJSC, Eurasian bank CJSC, TEMIRBANK OJSC. Actually, deposit rates were put out by 5 - 10 participants daily till the end of the year. The list of the participants had not expanded though.

The results of the year show that new market indicator works as representative only, and its values satisfactorily correlate with the values of interbank money market (rates in repo sector of the KASE<sup>33</sup> and interbank deposits market). The dynamics of the indicators is given in the graph (Fig.33) and in the table (Tab.18).

<sup>33</sup> Coupled correlation coefficient of repo rates for one day (the most representative sampling) and weekly KIBOR rates – 0.7281.



## TECHNOLOGIES

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### SOFTWARE AND HARDWARE OPERATED KASE TRADE SYSTEM

The KASE electronic trade system, «Multi-purpose trade module» was designed by specialists of the Exchange, who took into consideration the latest achievements in the trade technologies and which does not yield to systems of this class made by specialised companies in its characteristics. The latter was proved by testing, as well as while working in trade systems designed by outside organisations.

The KASE trade system ensures participation in online auctions, including that from a remote terminal. The important peculiarity of the KASE system is its flexibility, which helps to set up separate modules quickly and to update them to trade different financial instruments considering requests of members of the market.

The main characteristics of the KASE software and hardware operated trade complex are as follows:

- ✦ «Client-server» ideology.
- ✦ The server part of the trade system was designed in C++ language to comply with the operational system HP-UX.
- ✦ The clients part of the trade system was designed in C++ language in Builder v1.0 shell for the Win32 platform.
- ✦ The message exchange protocol in the net while conducting auctions is TCP/IP, the local net is HP 100 VG.
- ✦ As the main trade server of the system, HP9000 T500 produced by Hewlett Packard (HP-UX v.10.20) is used.
- ✦ The system includes the «cold backing up of the system» using HP D-350 server.
- ✦ To keep data and to manage them SQL Informix v.7.12 server is used.
- ✦ The KASE trade system is protected against temporary power failures with the two uninterrupted power sources made by Merlin Gerin, with the capacity of 20 kWt each, as well as by the diesel generator purchased in 2000.

In October 2000, after conducting a tender by the Exchange, a contract was signed with Central Asian Business Systems to supply new servers produced by IBM. The KASE made a decision to refuse to use more expensive RISK-platform in favour of more productive CISK-platform on the basis of test and switched to more universal and freely distributed Linux operating system.

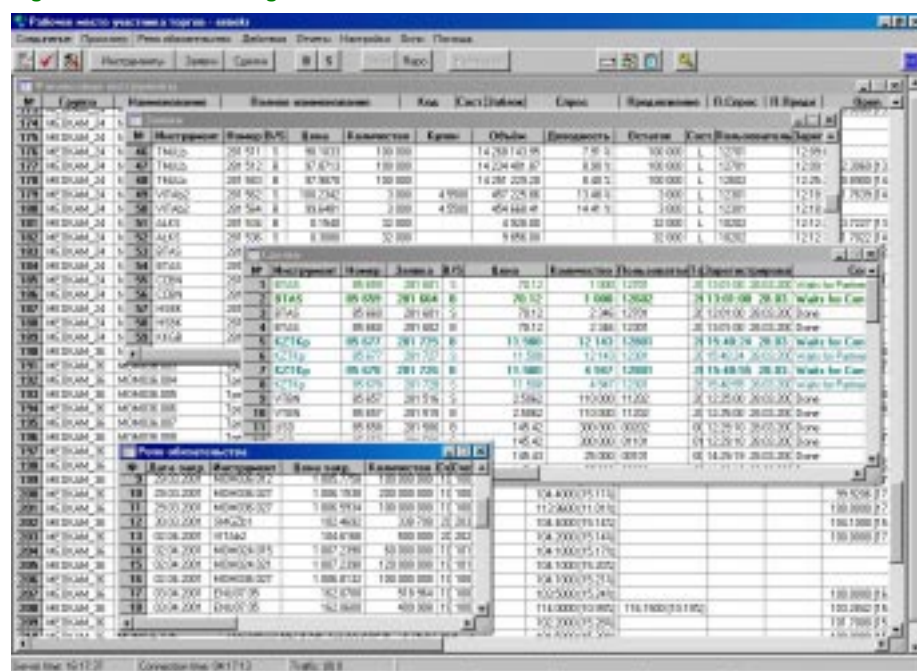
### TECHNOLOGICAL DEVELOPMENT

The reported year was marked for the Exchange with technological development in some promising directions, stated below.

#### Modification of the trade system

In February 2000 the KASE suggested the trade participants a special mechanism for connecting the trade system of the Exchange with internal information systems of the traders. This mechanism allows to automate the back-offices of the trade participants, as well as implement «bank-client» communication for placing client orders in the trade system, that is to make, for example, Internet trading. This project got into the focus of two major banks, the members of the Exchange: Bank TuranAlem OJSC, and Halyk Bank of Kazakhstan OJSC. Presently, the specialists of these banks are finishing their work on modernising their information systems to offer more services to the clients, particularly, regarding the making deals in the KASE trading system. State Accumulative Pension Fund CJSC has fully automated its back-office software to work with the KASE trade system.

Fig. 34: «Universal trading module» software interface



In the frame of improvement of the KASE trade system software, the Exchange fulfilled works to optimise internal algorithms of the trade system, and in December 2000 the mechanism of exchanging transit messages was developed. With the help of this mechanism the special (client) orders can be sent between the users of the system.

Also, in reporting year the Exchange worked on the improvement of the software of the trade system. Internal algorithms of the trade system were optimised, as well as the information exchange between the client and server application, interface was improved ergonomically, the yields of certain group of financial instruments can be calculated and displayed on the screen.

## Expansion of remote access to the trades

In reporting year remote access mode to the KASE trades was developing quickly. In 2000 a remote access was used by 13 members of the Exchange. By the end of the year almost all active participants of the market were working in the trade system while remaining at their offices.

In 2000 a remote access was provided by three telecommunication providers: KAZTELEPORT CJSC, SA Telecom JV and Arna-Sprint Data Communications.

## Development of perspective technologies

In November 1999 a contract was signed with Actis Systems Asia to develop a new web site of the KASE in Internet – “Music of financial instruments” ([www.kase.kz](http://www.kase.kz)). Previous site of the Exchange was developed and maintained by the USAID. From April 1, 2000 it ceased to exist. New site was launched in March 2000 (Fig.36).

New version, which is a joint project of the KASE and its subsidiary Information agency for financial markets IRBIS, differs from the old one both in terms of information volume and technological innovations. It is supported both in Russian and English.

The main feature of the site – visualisation of all the trades of the Exchange in real-time mode. The KASE news and News of financial market of Kazakhstan from the agency IRBIS are published regularly in real-time mode. In 2000 there were 6,560 news articles in Russian and 6,412 articles in English were published on the site. In total, databases of the site contain more than 13 th news in Russian and more than 9 th in English, which covers the period from Dec 1, 98 up to current days. Effective access to the news of the site is provided by a direct links on the site pages, as well as through the context based search.

The information on the issuers, whose securities are traded at the KASE, as well as on other securities, are presented on the server by more than 900 pages, with most of them being updated daily. Along with the information on the issuers, their financial statements, auditing reports and other information are also available.

The analytical part of the site contained 267 weekly reviews of currency and stock market of Kazakhstan in Russian as of the end of 2000, and 100 – in English, as well as annual and quarterly reports of KASE.

Special place of the site belongs to the KASE normative base – a complex of more that 130 regularly updated documents.

Fig. 35: Contest winner's award



**Fig. 36: Homepage of the KASE web site**



Sections of the site with less urgent information – information on the KASE, trade specifications of the financial instruments, schedule of the trades, KASE securities lists, different references – give necessary up-to-date information on the country's financial market to the users.

Today the web site of the Exchange is one of the most powerful ones in Kazakhstan. It was acknowledged at the first Kazakhstani Internet forum held in Almaty on May 31, 2000 under the aegis of the Seventh Central Asian International Telecommunication Exhibition KITELE. The site was acknowledged the first winner in the nomination of "The Best Business Site of KITELE 2000" (Fig.35), and the Exchange received a Grand Prix of the contest from the general sponsor – the company Nursat.