

# KAZAKHSTAN STOCK EXCHANGE

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**Approved**

by Kazakhstan Stock Exchange  
Management Board decision

(Minutes No. 65 of June 30, 2016)

**Effective**

from July 1, 2016

**NOTICE**

The Procedure below in English has been translated by employees of Kazakhstan Stock Exchange for information purposes only. In case of any incompliance of this translation with the Procedure's original version in Russian, the latter prevails.

## PROCEDURE for Exchange Members Monitoring

This Procedure was developed in accordance with the laws of the Republic of Kazakhstan and internal documents of Kazakhstan Stock Exchange JSC (Exchange) and defines the procedure to monitor the compliance of the Exchange members, including those with a clearing member status, with the laws of the Republic of Kazakhstan and internal documents of the Exchange.

**Article 1. General provisions**

1. The terms used in this Procedure shall have the meanings used in the Exchange internal documents regulating the member activities conditions and procedure.
2. For the purposes of this Procedure the Exchange members shall mean all members of the Exchange, including its foreign members, organizations whose Exchange membership was suspended for any reason, as well as clearing participants of the Exchange, with the exception of the National Bank of the Republic of Kazakhstan (National Bank) pursuant to the laws of the Republic of Kazakhstan responsible for the state regulation of the securities market and Eurasian Development Bank being an international financial institution and international law subject.
3. The Exchange shall monitor the disclosure of information by its members in order to control the completeness and timeliness of delivery by the Exchange members of reports and information about their activities.

The Exchange shall monitor the financial status of its members in order to identify situations of its member solvency deterioration.

4. The Exchange member monitoring results shall be used solely for the Exchange internal purposes.

The Exchange shall quarterly notify the National Bank of any the Exchange member violations of requirements for information disclosure, delivery of reports and/or documents to the Exchange.

**Article 2. Procedure for information disclosure by the Exchange members**

1. The Exchange members shall disclose information, provide the Exchange with reports and/or documents referred to in Article 16 of the Regulations on membership and Appendixes 8 and 9 to the Regulations on membership, as well as Article 10 of the Regulations on clearing participants (Information) within the time limit prescribed by the Regulations on membership and Regulations on clearing participants, as well as in accordance with the laws of the Republic of Kazakhstan and other internal documents of the Exchange.
2. The Exchange member shall disclose information via the is2in system in accordance with the agreement on the procedure of information delivery to the Exchange by its member.
3. The Exchange member shall use the is2in through a special section of the Exchange website dedicated to these Exchange members (Special section).

**Article 3. Monitoring of information disclosure by the Exchange members**

1. The Exchange subdivision one of the main functions of which is to monitor the Information disclosure (Monitoring Division) is responsible for the monitoring.
2. Monitoring Division shall control the Information disclosure timing established by the laws of the Republic of Kazakhstan and internal documents of the Exchange.

3. The Information received from the Exchange members shall be published on the website of the Exchange, according to the content, scope and manner established by the Exchange internal document regulating the Exchange information dissemination rules.
4. While monitoring the Information disclosure by the Exchange members the Exchange shall verify Information with respect to:
  - 1) way of providing Information;
  - 2) timeliness of providing Information;
  - 3) completeness of Information;
  - 4) satisfactory Information form;
  - 5) presence (or absence) of material errors, typos and inaccuracies in Information;
  - 6) reliability of Information content.
5. When verifying the way of providing Information the Exchange shall verify whether the Information was provided to the Exchange via the is2in system (using Special section) or other acceptable methods established by the Regulations on membership and other internal documents of the Exchange.
6. When verifying the timeliness of providing Information the Exchange shall verify whether the time it was provided by complies with the requirements stipulated by the Regulations on membership, Regulations on clearing participants and other internal documents of the Exchange.
7. When verifying Information completeness and satisfactory form the Exchange shall verify whether the Information complies with the requirements established by the Regulations on membership, Regulations on clearing participants and other internal documents of the Exchange with regards to the content of documents and other materials to be provided to the Exchange.
8. When verifying the presence (or absence) of errors, typos and inaccuracies in Information the Exchange shall verify whether there are any user-misleading errors, typos and inaccuracies in Information.
9. When verifying Information reliability the Exchange shall, selectively and limitedly, within its capabilities and competencies, verify whether the Information contains obvious inconsistencies and contradictions between separate elements of information, as well as any obvious inconsistencies and contradictions between the Information and other publicly available information especially the media information.

**Article 4. Procedure to verify information received from the Exchange members**

1. Any Information received from the Exchange members via the is2in system as it becomes available shall undergo a two-stage verification procedure by the following employees of the Exchange:
  - 1) at the first stage by an employee of the Monitoring Division;
  - 2) at the second stage by a head of the Monitoring Division or his/her deputy (acting head of the Monitoring Division).
2. During the period of checking the Information the status "in process of verification" and name and last name of an inspector are indicated in the Special section.
3. At the end of each stage of verification of the Information provided by the Exchange member, this Exchange member shall receive an e-mail with an

information verification status ("Checked", "Needs some work", "Rejected", "Submitted for publication") which can also be viewed in the Special section along with a name and last name of the Exchange employee who checked the information.

4. If, at the stage of Information verification, any inconsistency with the applicable requirements is identified, such information is given a status "Needs some work" or "Rejected", and the Monitoring Division via the is2in system or by e-mail notifies the Exchange member who provided this Information on the need to correct and/or replace this Information within the deadline set for its submission to the Exchange.
5. As soon as the Information is checked by the Monitoring Division, this Information is automatically delivered to the back office of the Exchange (to the section corresponding to the information type), where it is placed for storage and subsequent use by the Exchange employees that monitor the Exchange members.
6. All Information received from the Exchange members, as soon as it undergoes the verification procedure, within five minutes after it is assigned a status "Submitted for publication", shall be published on the member pages of the Exchange website, according to the content, scope and manner established by the Exchange internal document regulating the Exchange information dissemination rules.
7. Any Information received from the Exchange members using other acceptable methods established by the Regulations on membership, as soon as it undergoes the verification procedure, shall be published on the member pages of the Exchange website, according to the content, scope and manner established by the Exchange internal document regulating the Exchange information dissemination rules.

**Article 5. Monitoring of the financial status of the Exchange members**

1. The monitoring of the financial status of the Exchange members shall be performed by the Monitoring Division on the basis of the Information provided by the Exchange members upon the delivery of this Information to the Exchange.
2. The monitoring of the financial status of the Exchange member shall include:
  - 1) the Exchange members compliance with the prudential standards and/or other similar regulations or indicators in accordance with the requirements of the applicable law;
  - 2) the Exchange members compliance with the requirements for the minimum authorized and equity capital established by the laws of the Republic of Kazakhstan and Regulations on membership – for the Exchange members being legal entities of the Republic of Kazakhstan, and Regulations on membership – for foreign members of the Exchange;
  - 3) assessment of a financial status of the Exchange member in accordance with the Methodology for Exchange members financial status assessment.

**Article 6. Verification of the Exchange member compliance with laws and internal documents of the Exchange**

1. An annual plan for the Exchange members monitoring shall contain audit of the Exchange members for their compliance with the requirements of the laws and internal documents of the Exchange, as formulated in clause 2 of this Article.
2. The audit of the Exchange members for their compliance with the requirements of the laws and internal documents of the Exchange shall include:

- 1) verification of the completeness and timeliness of information disclosure by the Exchange member, to be carried out in accordance with Articles 3 and 4 of this Procedure;
  - 2) monitoring of the Exchange member financial condition, which is carried out in accordance with Article 5 of this Procedure;
  - 3) verification of the Exchange member compliance with the requirements to its risk management system, which is carried out in accordance with clause 3 of this Article;
  - 4) verification of the Exchange member compliance with the laws of the Republic of Kazakhstan and internal documents of the Exchange in its participation in the Exchange trading, implementation of pre-trade and post-trade procedures and other actions related to its participation in the auctions held by the Exchange and Exchange membership, which is carried out by the Exchange structural subdivisions within their competence and in accordance with the internal documents of the Exchange.
3. The verification of the Exchange member compliance with the requirements to its risk management system shall be carried out by the Monitoring Division annually on the basis of the relevant reports of this Exchange member upon the receipt of such reports. The results of verification of the Exchange member compliance with the requirements to its risk management system shall be attached to the reports on the Exchange members monitoring results.

If following the results of such verification on the basis of the Exchange member report it is identified that the risk management system of the Exchange member meets at least 80 % of requirements (criteria) established by the applicable laws, it is considered that the Exchange member meets its risk management system requirements.

If following the results of such verification on the basis of the Exchange member report it is identified that the risk management system of the Exchange member meets or partially meets at least 50 % of requirements (criteria) established by the applicable laws, it is considered that the Exchange member partially meets its risk management system requirements.

If following the results of such verification on the basis of the Exchange member report it is identified that the risk management system of the Exchange member fails to meet more than 50 % of requirements (criteria) established by the applicable laws, it is considered that the Exchange member does not meet its risk management system requirements.

#### **Article 7. A report on the Exchange members monitoring results**

1. The Monitoring Division shall compile a report on the Exchange members monitoring results (Report), provide it to the Settlement Division, Clearing Division of the Exchange and present it to the Management Board of the Exchange:
  - 1) on a monthly basis not later than the last business day of the month following the reporting month with an information about members of the FX and derivatives market of the Exchange;
  - 2) on a quarterly basis not later than the last business day of the month following the expiration of a calendar quarter with an information about all Exchange members.
2. In order to compile a report the Exchange structural subdivisions, including the Trading Department, Clearing Division, Settlement Division, shall provide the Monitoring Division with an information on the Exchange members violations of the laws and internal documents of the Exchange committed as part of their participation in the Exchange trading, implementation of pre-trade and post-trade

procedures and other actions related to their participation in the Exchange trading and membership upon the identification thereof.

3. The report shall include the information about:
  - 1) Exchange members violation of Information disclosure requirements established by the laws of the Republic of Kazakhstan and internal documents of the Exchange;
  - 2) results of the Exchange members financial status evaluation carried out in accordance with the Methodology for Exchange members financial status assessment;
  - 3) Exchange members compliance with the prudential standards and/or other similar regulations or indicators in accordance with the requirements of applicable law;
  - 4) Exchange members compliance with the requirements for the minimum authorized and equity capital established by the laws of the Republic of Kazakhstan and Regulations on membership – for the Exchange members being legal entities of the Republic of Kazakhstan, and Regulations on membership – for foreign members of the Exchange;
  - 5) financial performance of the Exchange members including information about their profits or losses as of the last reporting date;
  - 6) Exchange members compliance with the risk management systems requirements;
  - 7) Exchange members violation of the laws and internal documents of the Exchange committed as part of their participation in the Exchange trading, implementation of pre-trade and post-trade procedures and other actions related to their participation in the Exchange trading and membership.
4. The Exchange Management Board shall consider the Report at its earliest meeting and, if necessary, take action with regards to certain members of the Exchange provided for by internal documents of the Exchange.
5. The Monitoring Division no later than the fifth business day following the day of consideration of the Report by the Exchange Management Board shall notify the National Bank about the Exchange members violations of Information disclosure requirements.

**Article 8. Exchange Disclaimer**

The Exchange shall assume no responsibility for the reliability of the Information disclosed by the Exchange members, as the Exchange is unable to verify and/or confirm its reliability. Thus, the Exchange shall make all reasonable efforts to verify the Information reliability.

Chairwoman of the Management Board

A. Aldambergen