

Review of the securities market of the Republic of Kazakhstan

For 9 months of 2021



Қазақстан қор биржасы
Казахстанская фондовая биржа
Kazakhstan Stock Exchange

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- 02 | About KASE
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- 04 | Execution of GS transactions by non-residents

Kazakhstan: Facts and Figures

- ✓ Sovereign Credit Ratings/ Investment Grade:
 - Standard & Poor’s – BBB-/stable/A-3 (03.09.2021)
 - Fitch – BBB/stable/F2 (13.08.2021)
 - Moody’s – Baa2/stable (11.08.2021) *Kazakhstan has become one of the five countries in the world whose rating has been upgraded, while ratings have been revised for 144 countries*
- ✓ According to the World Bank’s classification by income level in 2018 Kazakhstan is among the **upper-middle-income countries**, it means gross national income per capita from \$4.046 to \$12.535 (gross national income per capita in Kazakhstan in 2020 year - \$9.055,8)
- ✓ Territory – **2,7 m sq. km:**
 - worldwide – the **9th place**
 - amongst the CIS countries – the **2nd place**
- ✓ Population – **18.4 m**
- ✓ Natural resources mainly comprised of mineral resources, oil and gas



Indicator	2015	2016	2017	2018	2019	2020
GDP, billion USD	184.4	137.3	162.9	170.5	181.7	171.2
Change in GDP, % (YoY)	+1.2	+1.1	+4.1	+4.1	+4.5	-2.6
Inflation, % (YoY)	13.6	8.5	7.1	5.3	5.4	7.5
Unemployment, %	5.1	5.0	4.9	4.9	4.8	4.9
Average USD/KZT rate	221.73	342.16	326.00	344.71	382.75	412.95
Money supply (M3), billion USD	15 368	21 367	20 960	24 271	24 327	17 071
National Fund Assets, billion USD	63.4	61.2	58.3	57.7	61.8	58.7

Kazakhstan in the World Ranking of Explored Resources

- the world's largest uranium producer
- 2nd place in the world in reserves of chromium, lead and zinc
- 3rd place in the world in manganese reserves
- 5th place in the world in copper reserves
- TOP 10 in the world for coal, iron and gold reserves

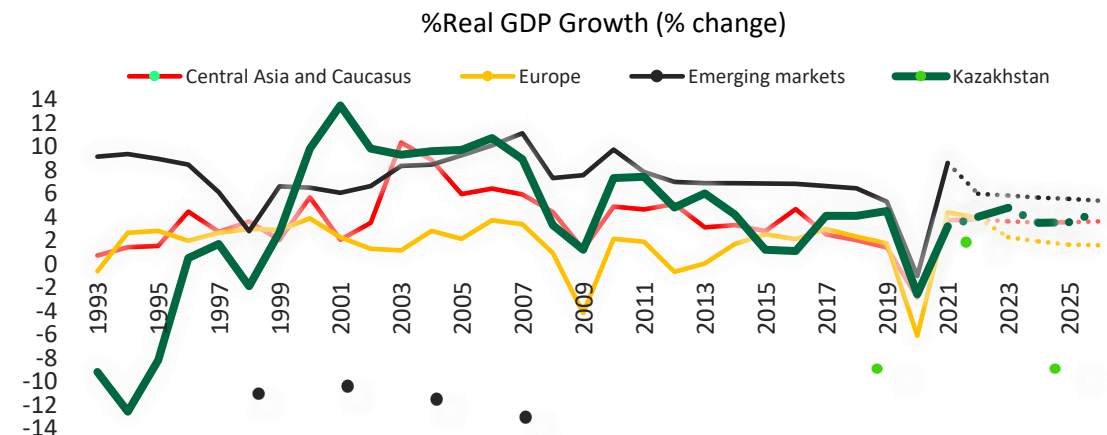


70 types of resources have been explored



60 elements are currently being produced

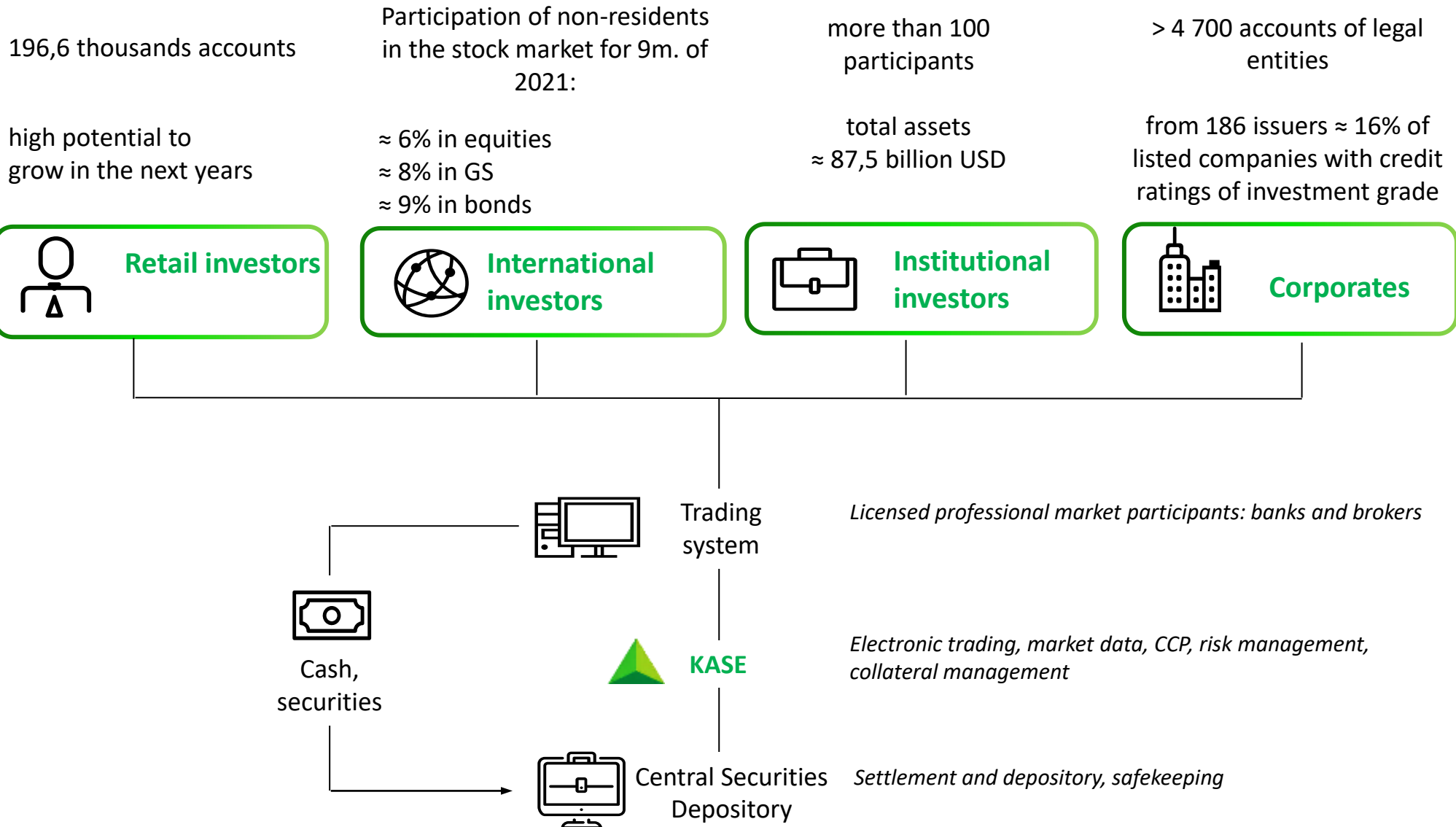
Kazakhstan’s stock market: position on the world markets map



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Local Markets Infrastructure



Role of KASE in Kazakhstan's financial system



Offers a range of exchange services and technological solutions:

- listing
- subscription
- pre-trading
- trading
- post-trading (clearing, settlement)
- dissemination of market data



Provides a wide range of instruments on convenient terms:

- securities, currency pairs and futures
- repo transactions and currency swaps
- possibility of multicurrency payments
- support for popular settlement terms (T + 0, T + 1, T + 2) to get quick liquidity
- relatively low trading fees



Provides effective interaction within the financial system:

- raising of capital by companies
- saving and increasing of capital by investors
- cross-trading in different classes of financial instruments
- risk hedging
- flexible tariff policy
- market pricing
- maintaining liquidity through market-makers



Guarantees the fulfillment of the financial obligations of the participants:

- services of the Central Counterparty in the foreign exchange market and the derivatives market
- modern risk management model
- high speed of settlements



LISTING

admission of securities to the official list
private offering
creating conditions for information disclosure



FINANCIAL INSTRUMENTS

securities
repo: GS/BSP baskets, securities of list T+
swap RUB/KZT, USD/KZT, CNY/KZT, EUR/KZT
currency pairs RUB/KZT, USD/KZT, CNY/KZT, EUR/KZT, EUR/USD
futures KASE Index, USD/KZT



MEMBERSHIP

stock/fx and derivative market



POST-TRADING SERVICES

clearing/settlements and Central Counterparty



TECHNOLOGICAL SOLUTIONS

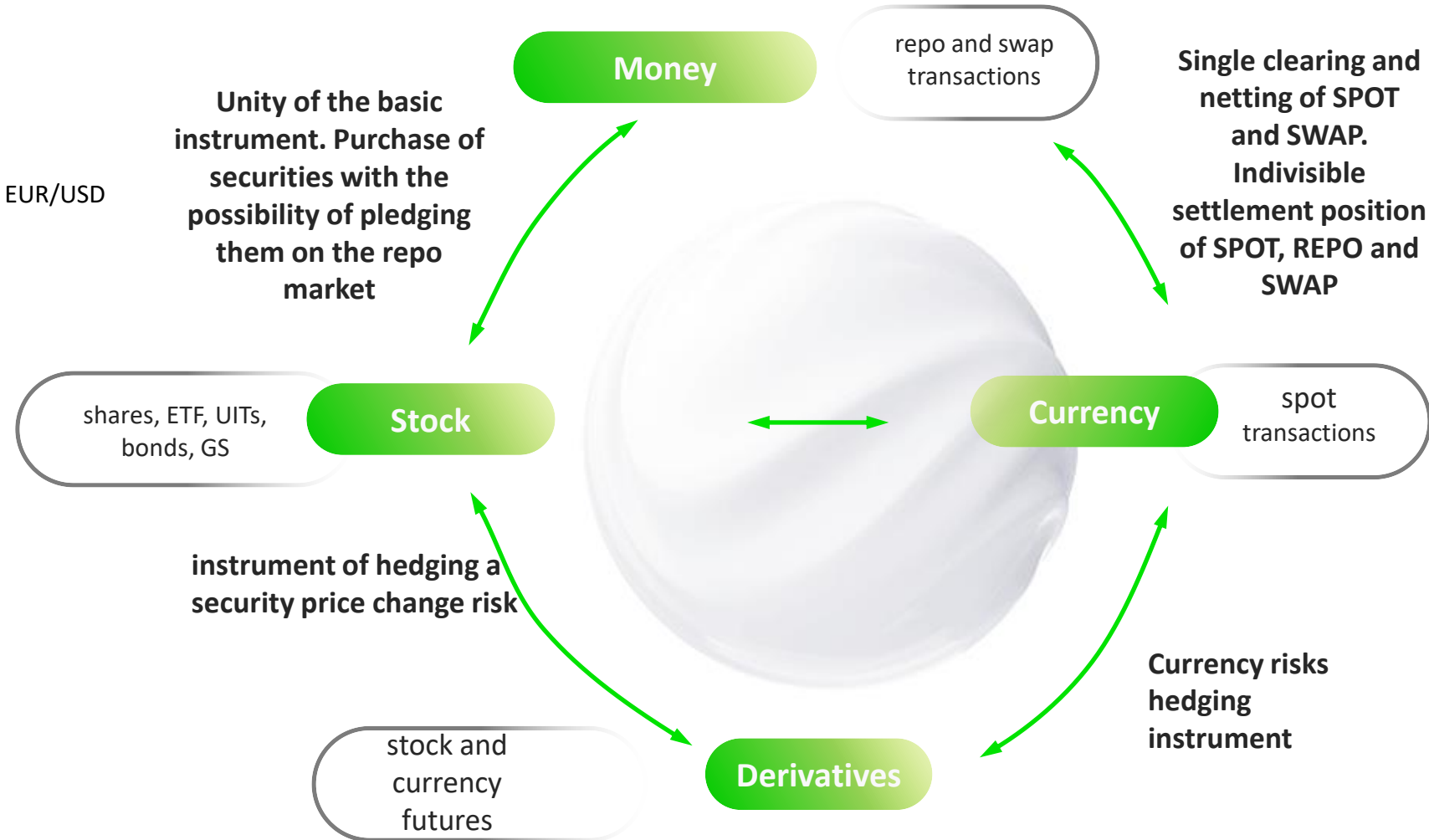
three trading systems
settlement and clearing systems
FIX-gateways
website and online services



MARKET DATA

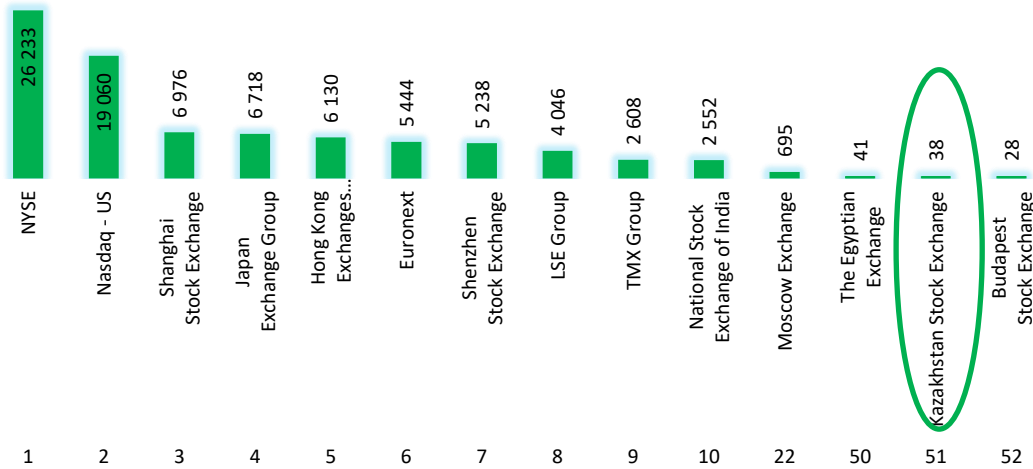
real time and delayed data
end-of-day data
historical data, background and derived information
software product IRIS Finance
information product Web-Quotes
Telegram bot
KASE MOBILE application

Interdependence of KASE markets



KASE 's positions in the global exchange community

Capitalization of world stock exchanges, billion USD



2 place
out of 12
3rd place

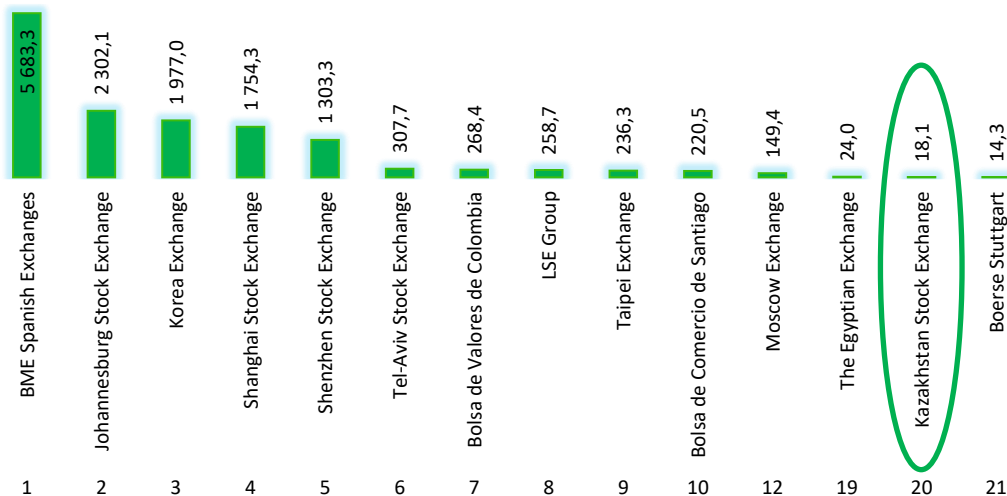
- by volume of equity trading
- by volume of outstanding corporate debt and volume of bond trading
- by volume of the equity market capitalization



5 place
out of 17
8th place

- by volume of the equity market capitalization

Volume of trading in bonds on world stock exchanges, billion USD



51 place
out of 70
58 place
20 place

- by volume of equity trading
- by volume of the equity market capitalization
- by volume of equity trading
- by volume of bond trading

Source: World Federation of Exchanges (WFE)

Structure of the trading lists as of October 1, 2021

1 233 instruments, including 830 securities issues,
198 instruments in T+ list

Stock Market			Money Market	FX	Derivatives
Equities	Fixed Income	Structured Products	Swap	Spot	Stock
IPO / Auctions	Auctions	Secondary market	RUBKZT	RUBKZT	KASE Index
Redemption	Secondary market	Investment Funds	USDKZT	USDKZT	USDKZT
Secondary market	Government Bonds	ETF	CNYKZT	CNYKZT	Since the 7 th of July 2021: KZAP HSBK
Large cap	Municipal bonds		EURKZT	EURKZT	
Small cap	NBRK notes		Repo	EURUSD	
Dual listing	GB of foreign countries		Equities		
GDRs	Corporate Bonds		Bonds		
	IFI Bonds		Government Bonds		
16	180	2	363	16	24
125	487	20			
Settlements					
T+2	T+2	T+2	or T+1 to T+1Y	T+0	T+1W
T+0 – illiquid securities	T+0 – illiquid securities	T+0	or T+0 to T+90	T+1	T+1M
				T+2	T+3M
					T+6M

*bonds of international financial organizations

Source: KASE

KASE Members

Stock
Market



Derivates

Foreign
Exchange

- 49** total KASE members
- 22** second-tier banks (out of 22)
RK residents
- 20** Brokerage firms (out of 20)
RK residents
- 44** local participants
- 3** foreign participants
- 2** international financial institutions
- 12** participants providing direct market access services

For 9 months of 2021, KASE members were accepted:



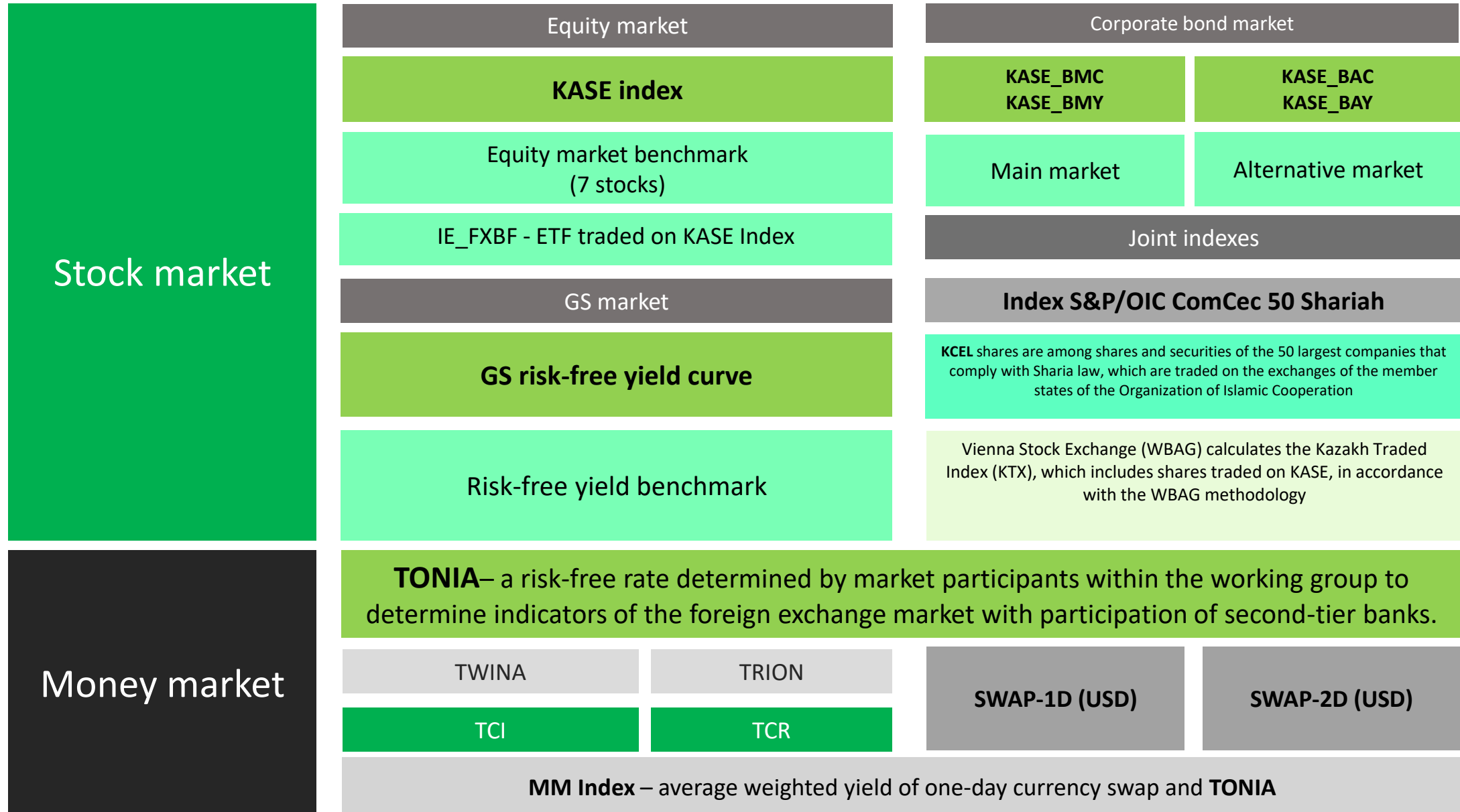
admitted to KASE membership in category "Foreign currencies"



admitted to KASE membership in category "Derivatives"

Corporates that have concluded agreements on the trust management of pension assets

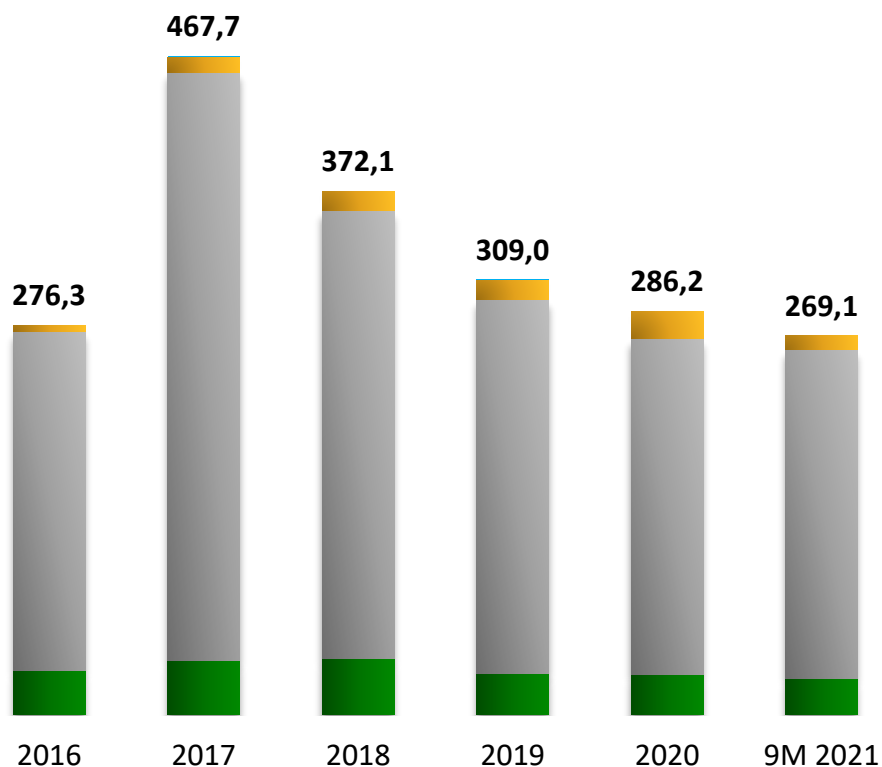




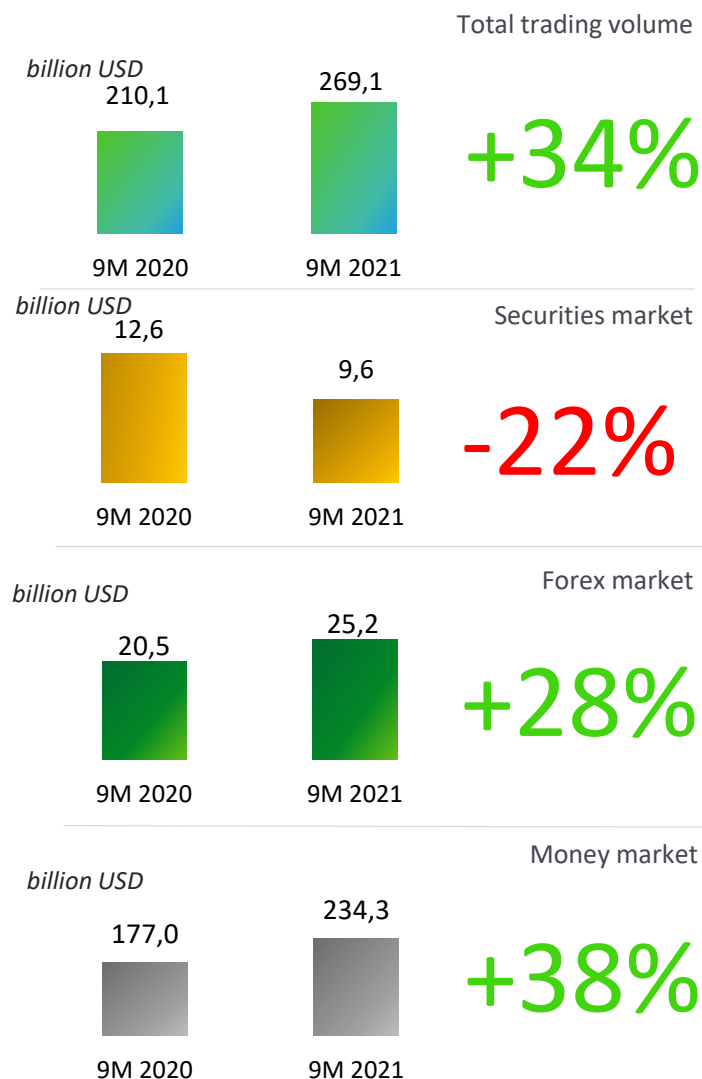
Volume and structure of the market



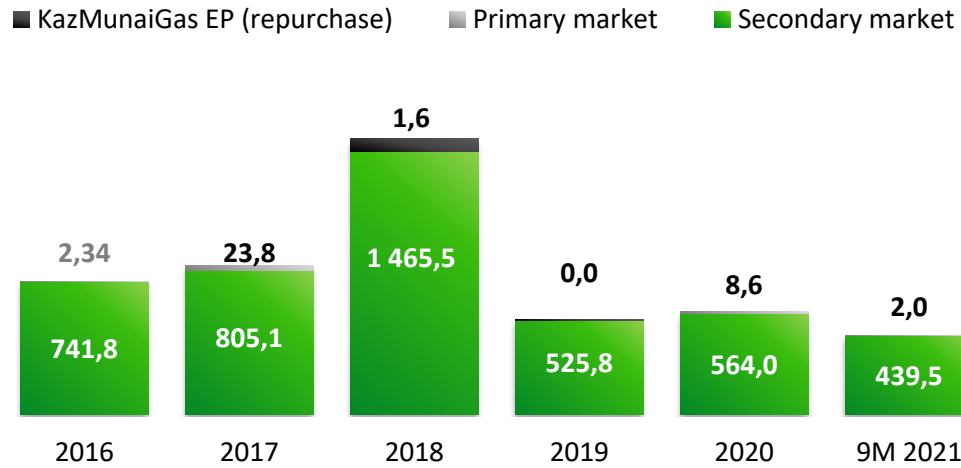
Trading volume dynamics by sector, billion USD



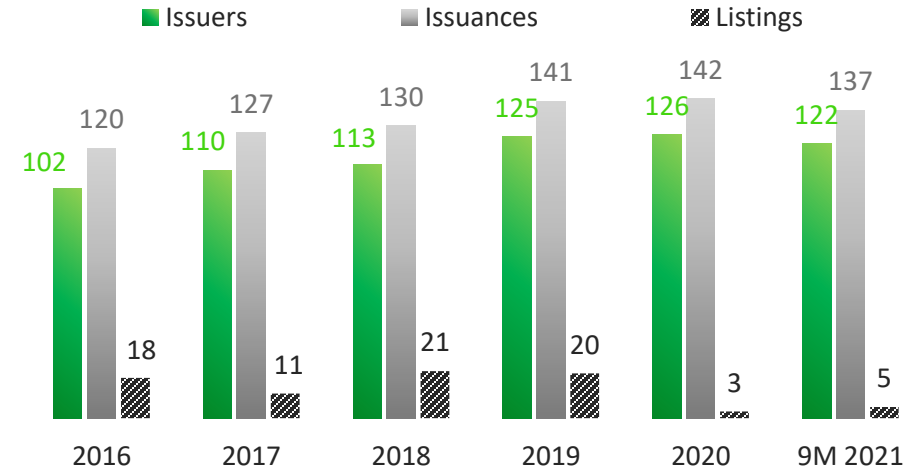
9M'2021 to 9M'2020



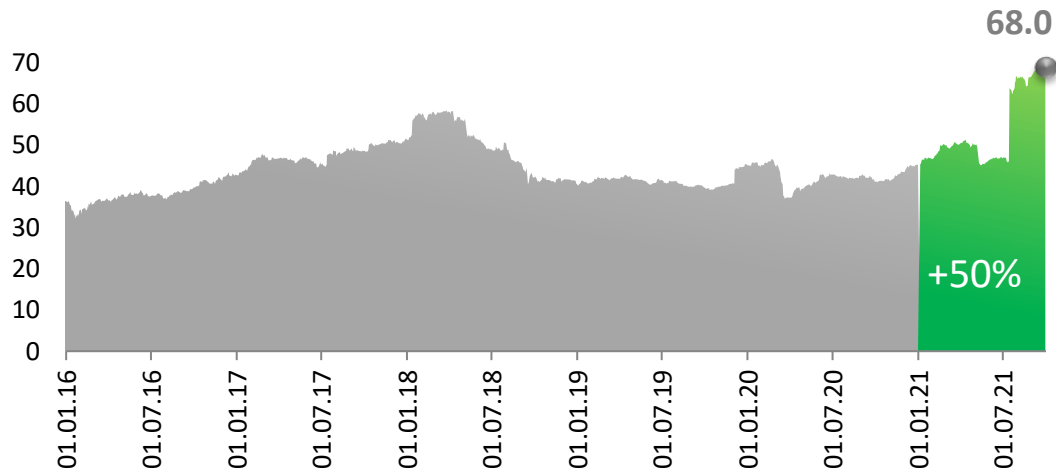
Transactions volume, million USD



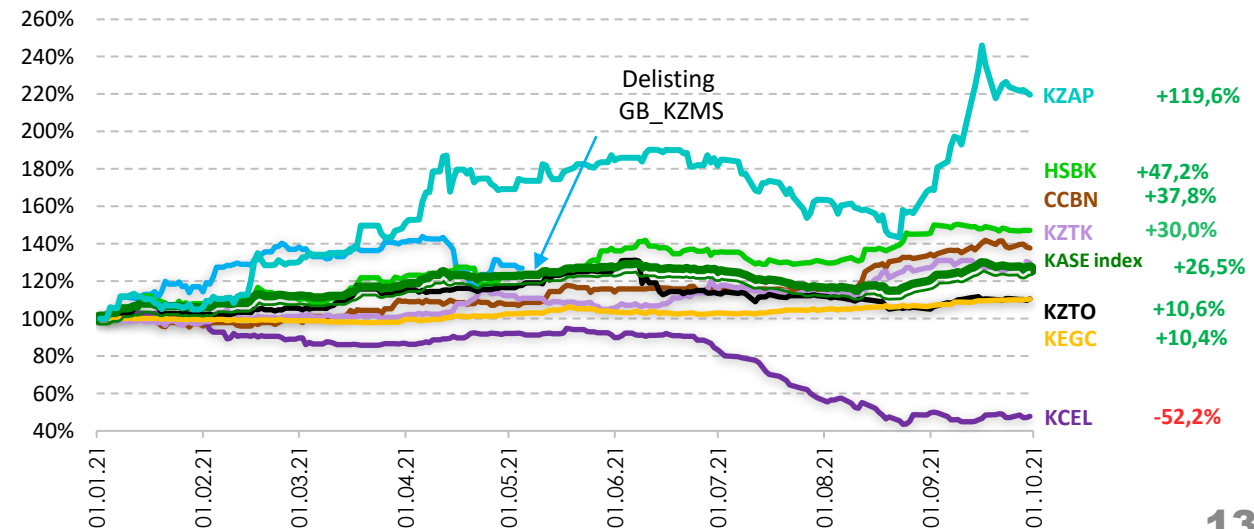
New listings



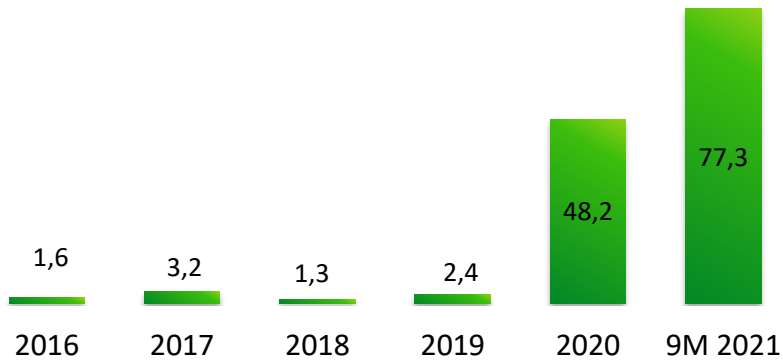
Equities Market Capitalization, billion USD



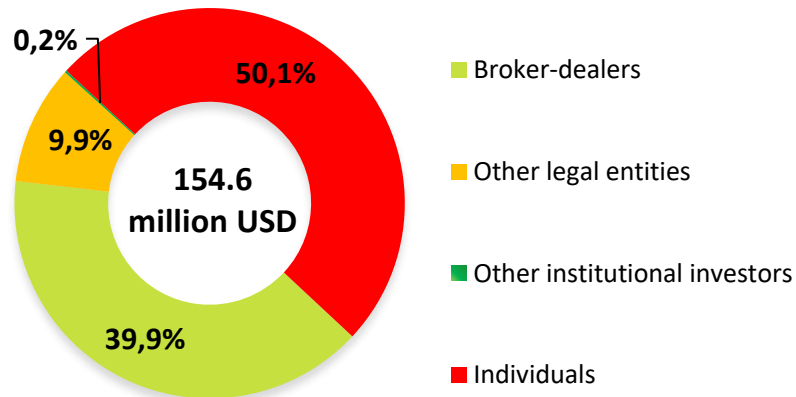
Index KASE dynamics



Trading volume, million USD

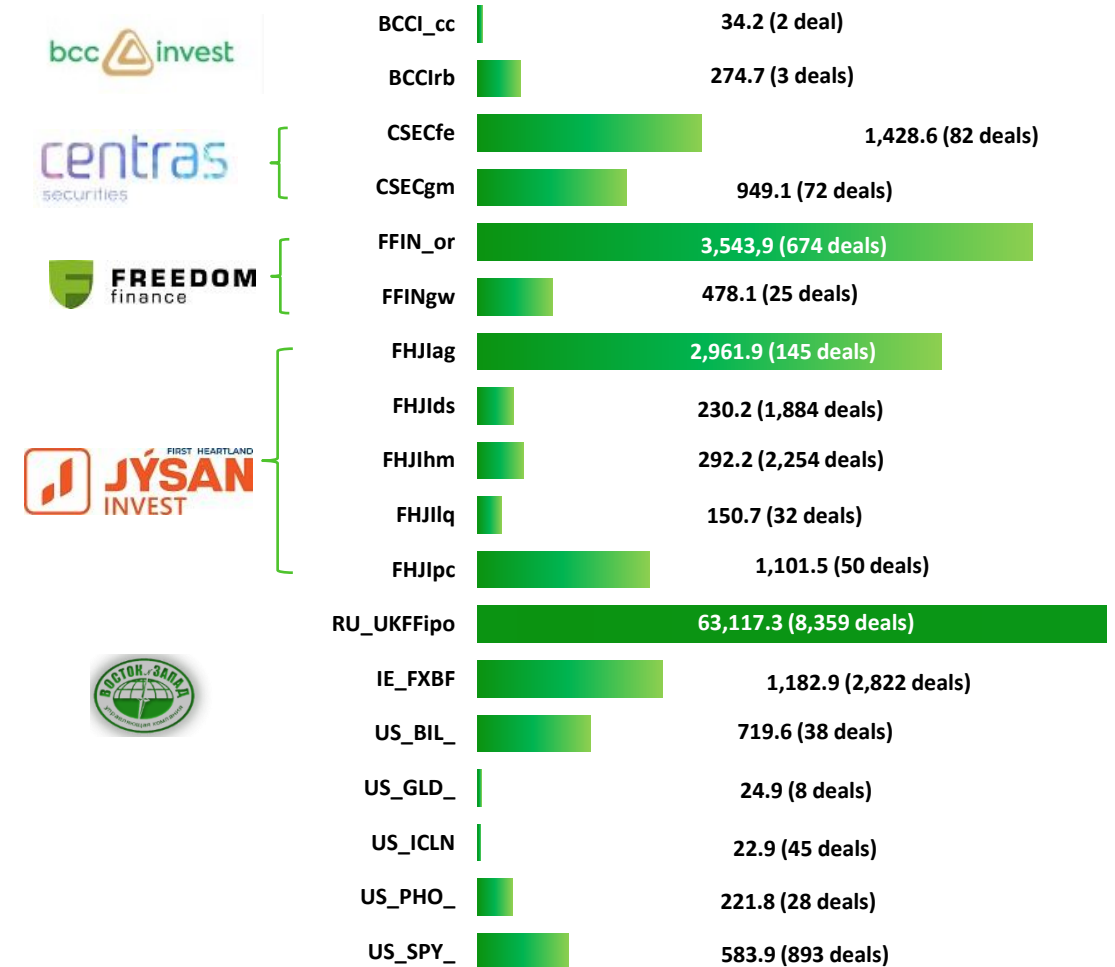


Shares of main types of investors for 9M 2021*

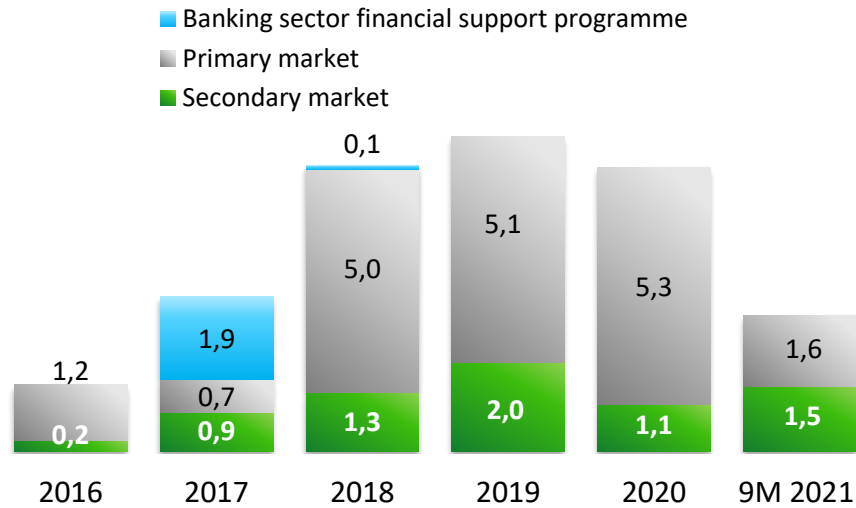


*of the total gross turnover of trading in securities of investment funds

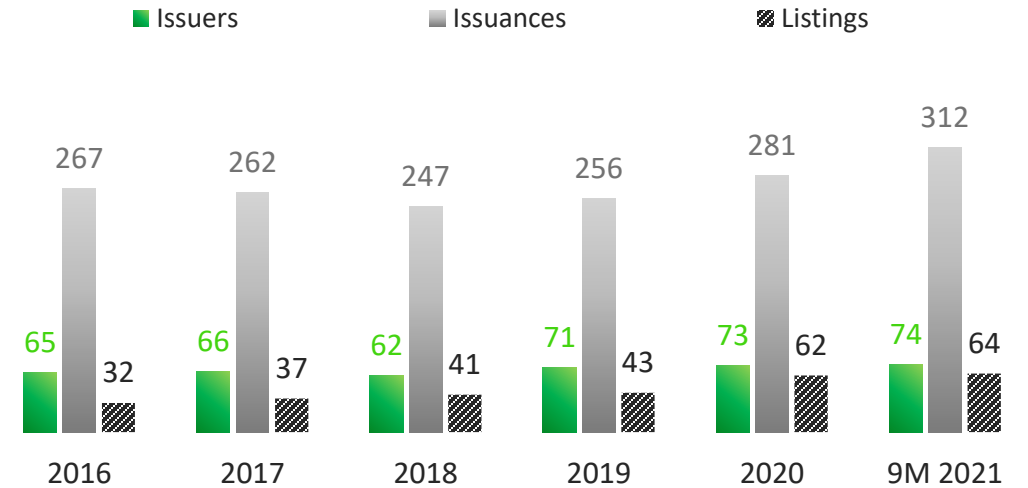
Trading volume for 9M 2021 by instruments, thousand USD



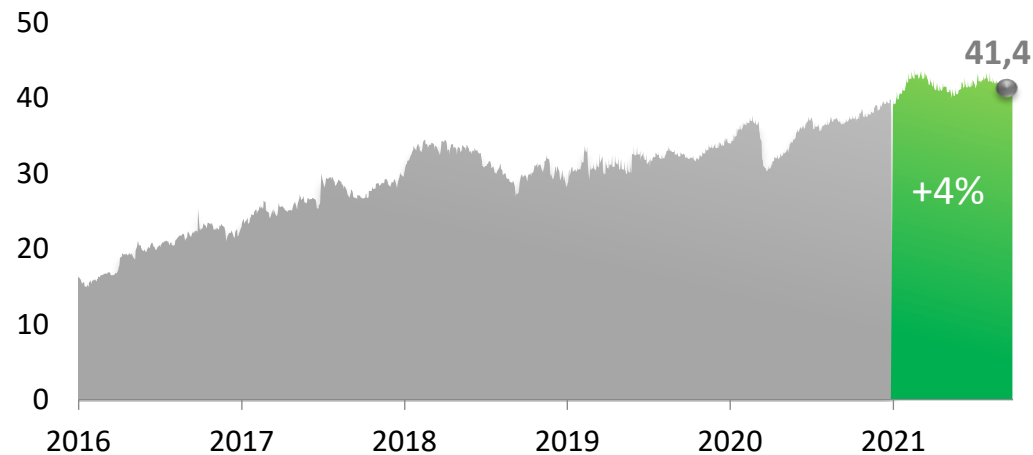
Trading volume, billion USD



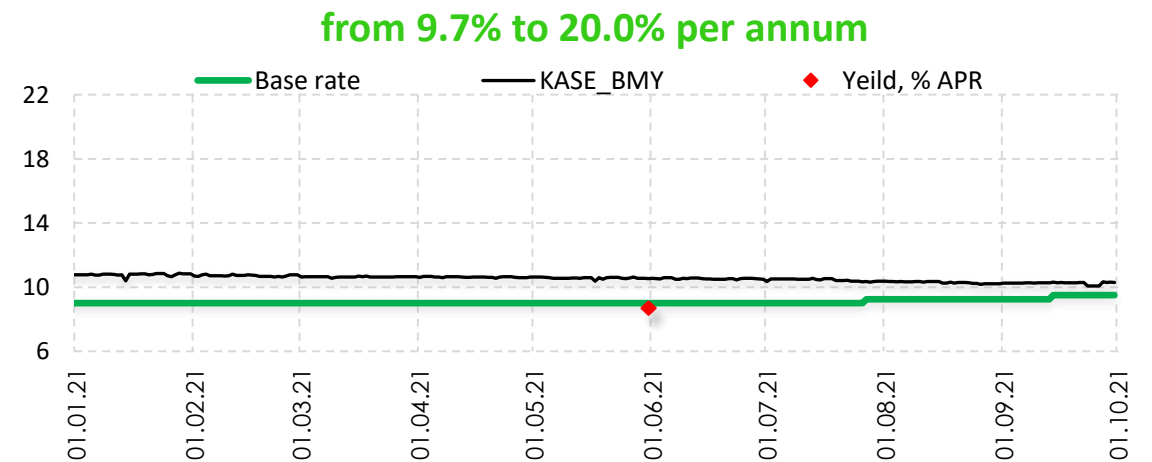
New listings



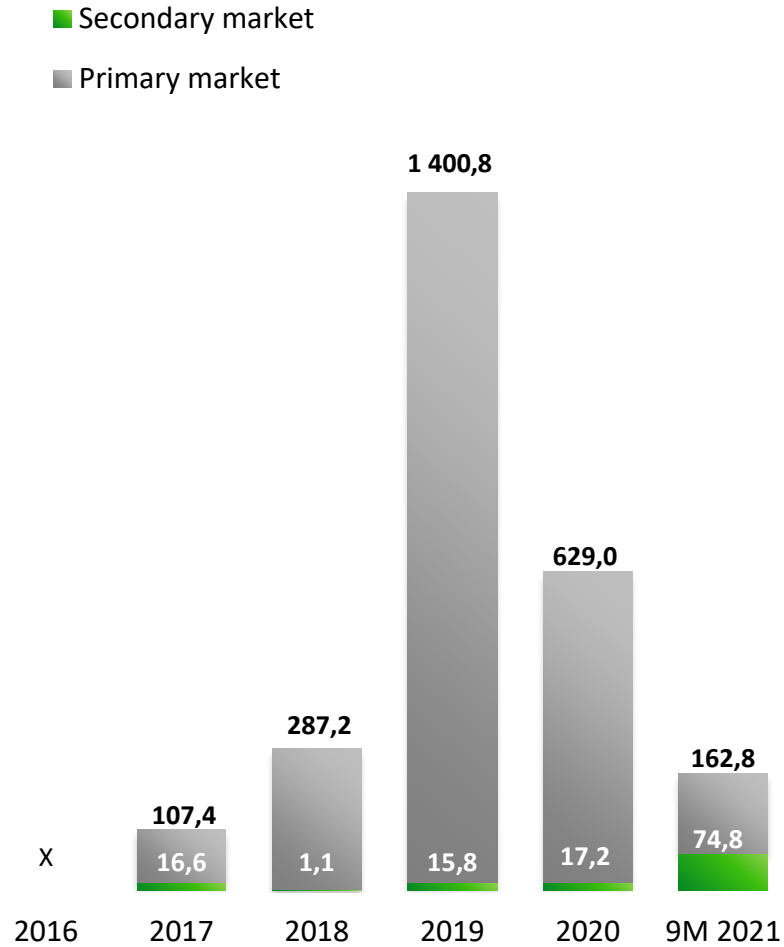
Amount of government debt (at face value) traded on KASE, billion USD



Market placements of corporate bonds for 9M 2021



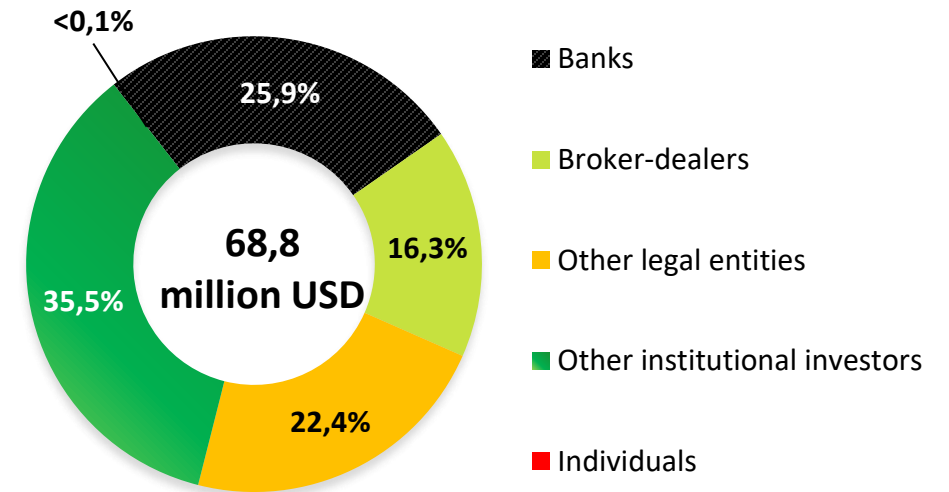
Trading volume, million USD



There were **42 issues of 4 institutions** in KASE Official List as at **October 1, 2021**:

- 18 issues of the Eurasian Development Bank
- 12 issues of the European Bank for Reconstruction and Development
- 4 issues of the International Finance Corporation
- 8 issues of the Asian Development Bank

Shares of main types of investors for 9M 2021*



*of the total gross turnover of trading in IFI bonds

Money market indicators

*Launched:
December 28, 2020*

TONIA

main risk-free benchmark in the money market

TRION/TWINA

additional money market indicators

*Launched:
September 15, 2021*

TCI

TONIA composite index calculated every calendar day based on the last calculated value of TONIA indicator

TCR


TONIA compounded rate calculated every calendar day based on TCI values.

TCR is calculated for 1, 3 and 6 months

In working progress

IOSCO Principles for Financial Indicators

Currently, KASE is working on the issue of the possible accreditation of the Exchange as an index administrator, for compliance with the principles for IOSCO financial indicators according to the standards of the European regulator

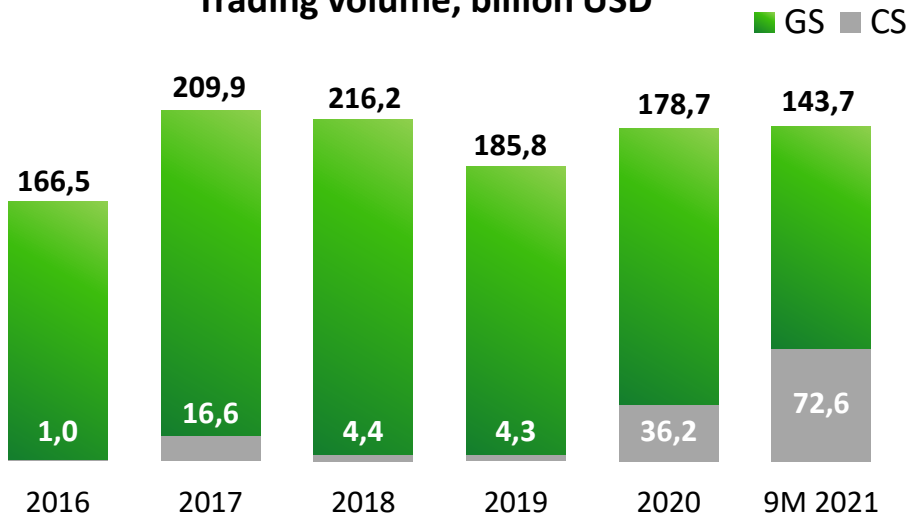


new risk-free benchmark in the money market based on the principles of reliability of indicators compliant with the best international practices

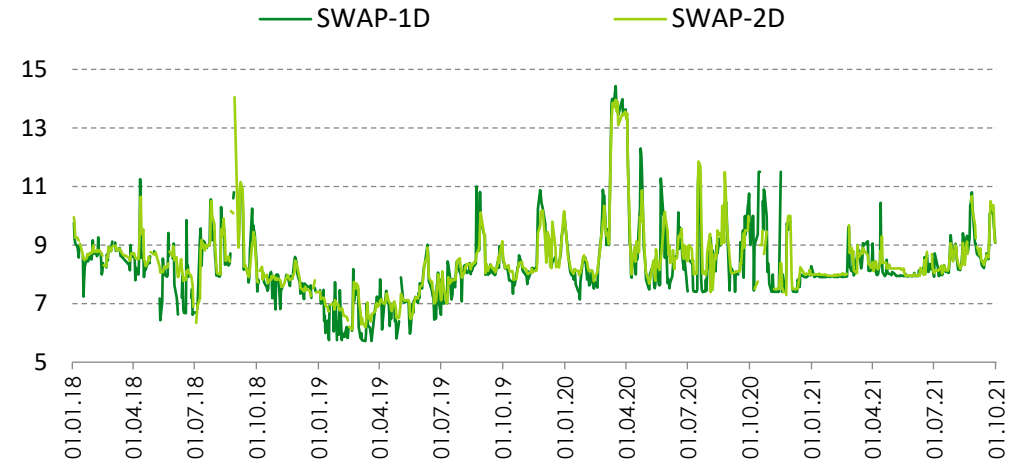
tasks in reaching the development of Kazakhstan's financial market, promotion of cross-border transactions linked to Kazakhstan's money market indicators

promotion of Kazakhstan in international indexes and classifiers

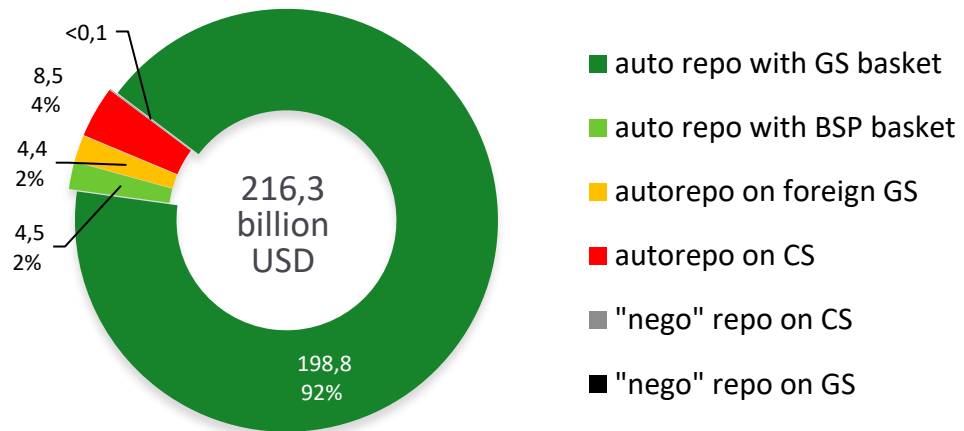
Trading volume, billion USD



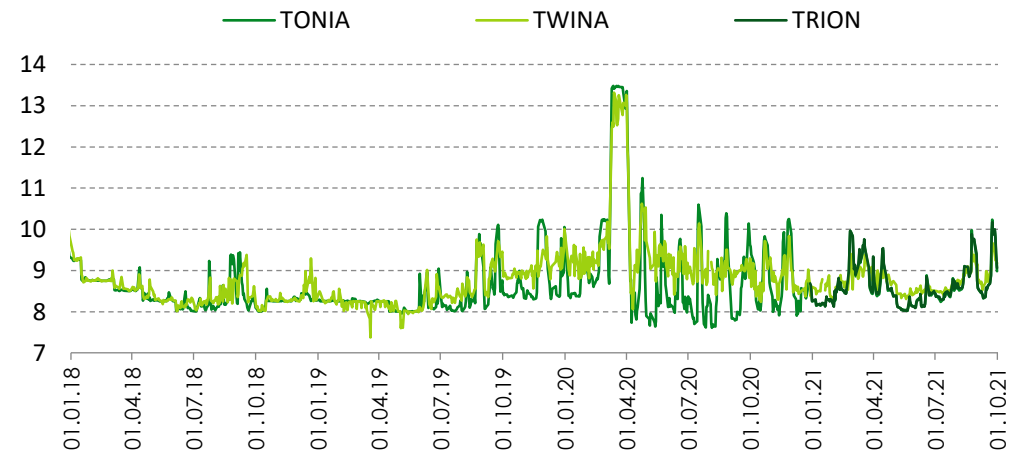
Swap market indicators, %



Repo market instruments, billion USD



Repo market indicators, %

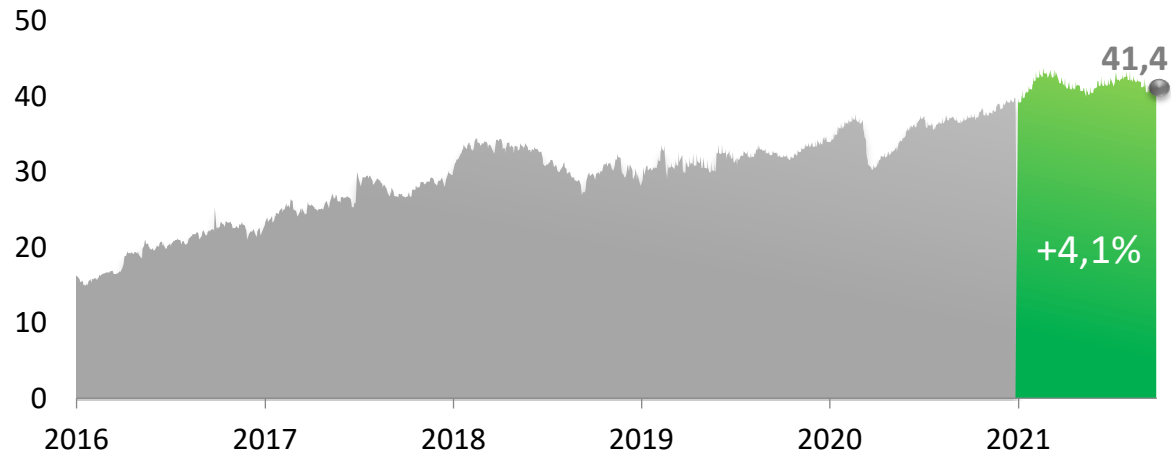


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Government debt traded on KASE

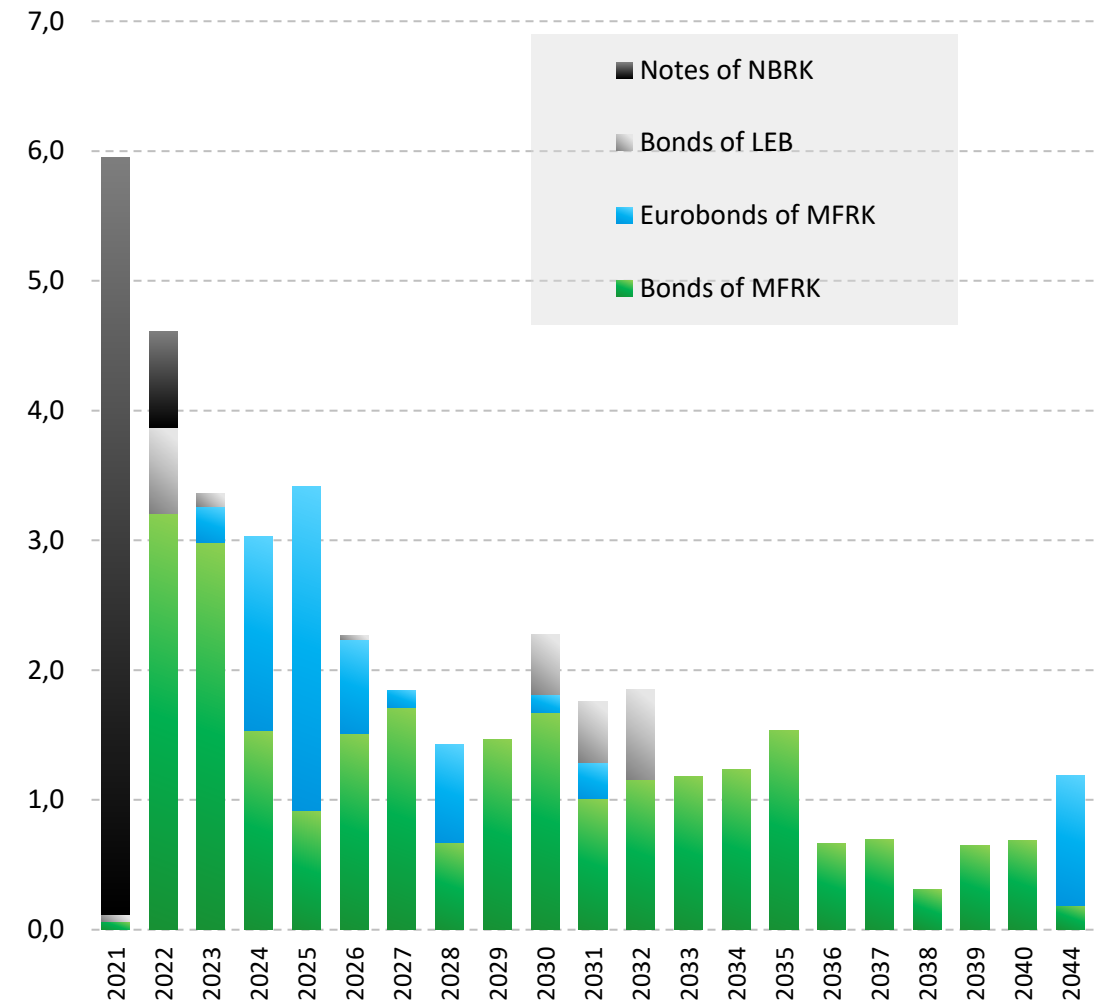
Amount of government debt (at face value),
traded on KASE, billion USD



Amount of government debt, traded on KASE:

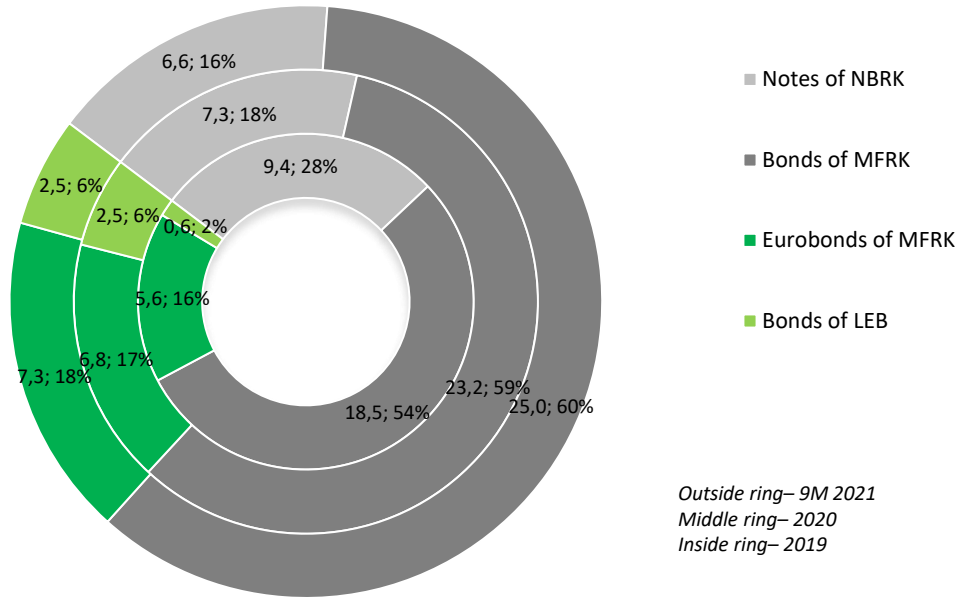
01.01.2021	39,7 usd bn	↑	+16,8% growth for 2020
01.10.2021	41,4 usd bn	↑	+4,1% growth for 9 months of 2021

Public Debt Redemption, billion USD

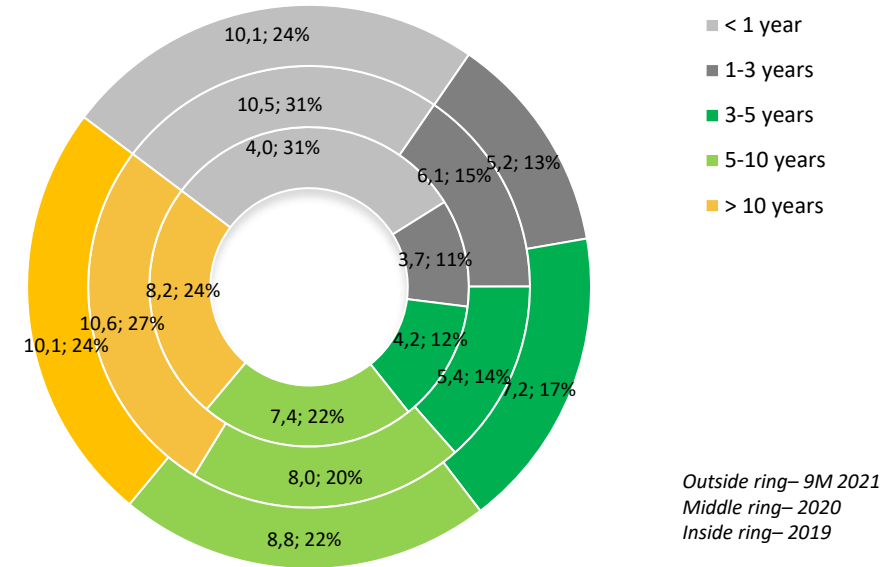


Structure of the government debt of Kazakhstan traded on KASE

Structure of the government debt of Kazakhstan by type of securities, billion USD



Structure of the government debt of Kazakhstan by maturity date, billion USD



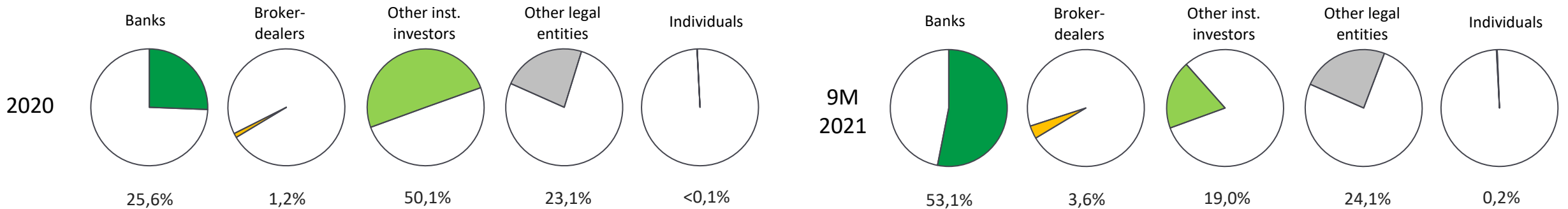
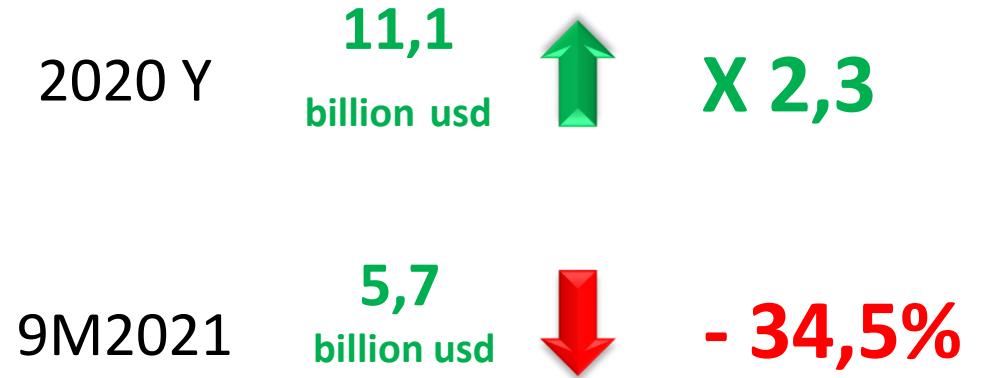
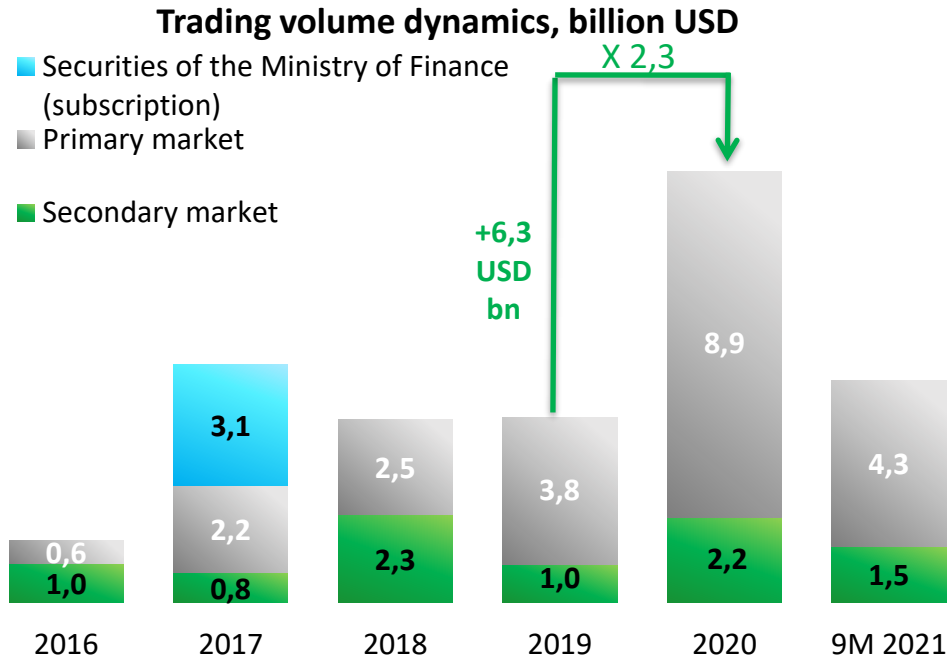
Share of trade volume, by GS type:

NBRK notes	16 % 9M'2021	←	18 % 2020	←	28 % 2019
MEKAM	60 % 9M'2021	←	58 % 2020	←	54 % 2019

Share of trade volume, by maturity:

< 1 year	24 % 9M'2021	←	24 % 2020	←	31 % 2019
1-3 years	13 % 9M'2021	←	15 % 2020	←	11 % 2019
> 10 years	24 % 9MQ'2021	←	27 % 2020	←	24 % 2019

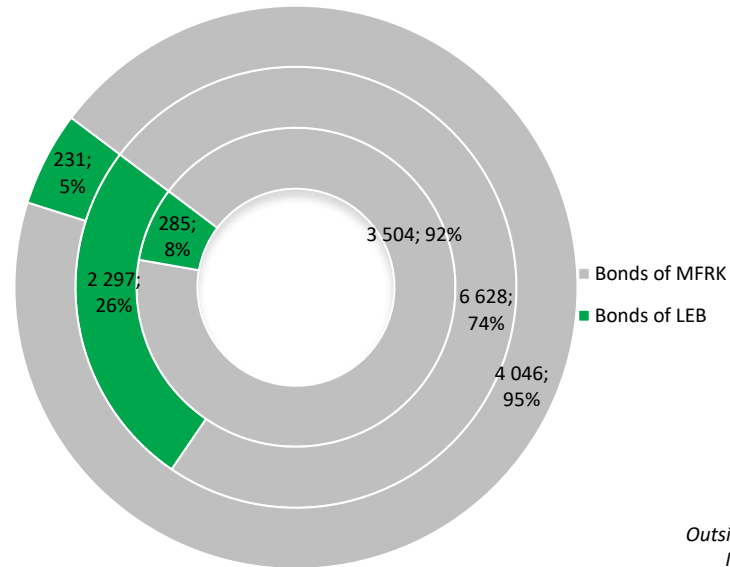
Trading volume dynamics on Government Securities Market



* of the total gross turnover of GS trades; the category - initiator of specialized trades is excluded from the calculation

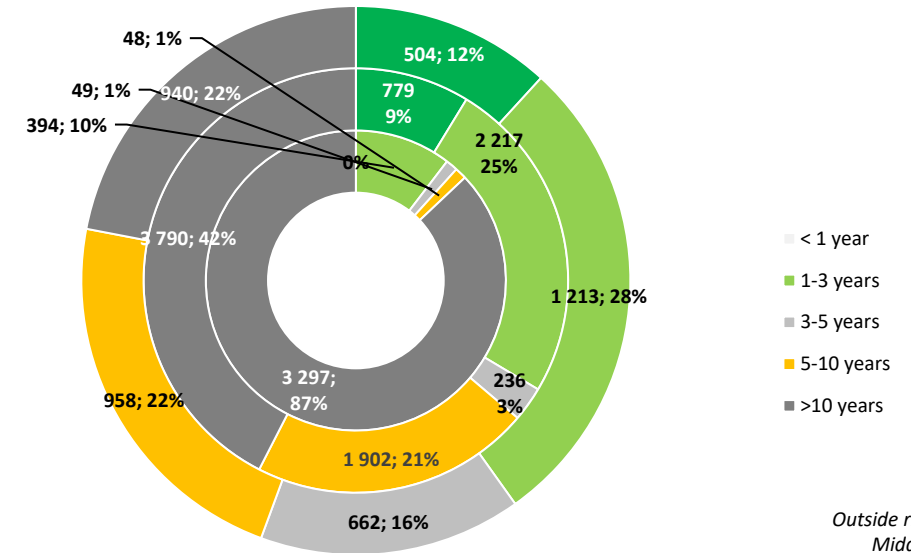
Trading volume Primary Market

Structure of trading volume on primary market by type of securities, million USD



Outside ring– 9M 2021
Middle ring– 2020
Inside ring– 2019

Structure of trading volume on primary market by maturity date, million USD



Outside ring– 9M 2021
Middle ring– 2020
Inside ring– 2019

Share of trade volume, by GS type:

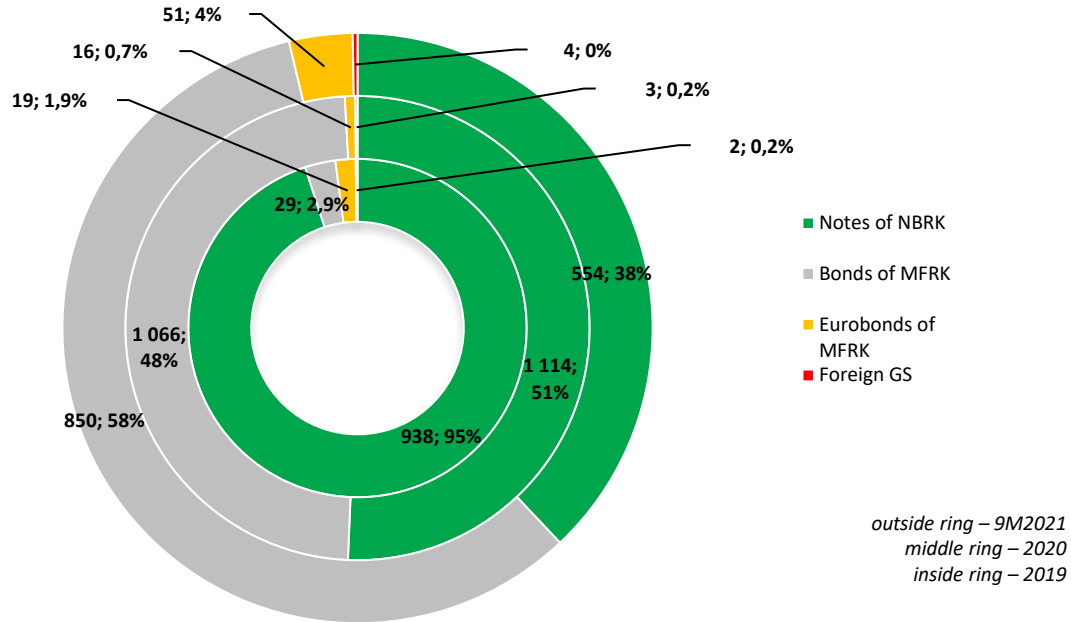
municipal	5 % 9M'2021	←	26 % 2020	←	8 % 2019
MEKAM	95 % 9M'2021	←	74 % 2020	←	92 % 2019

Share of trade volume, by maturity:

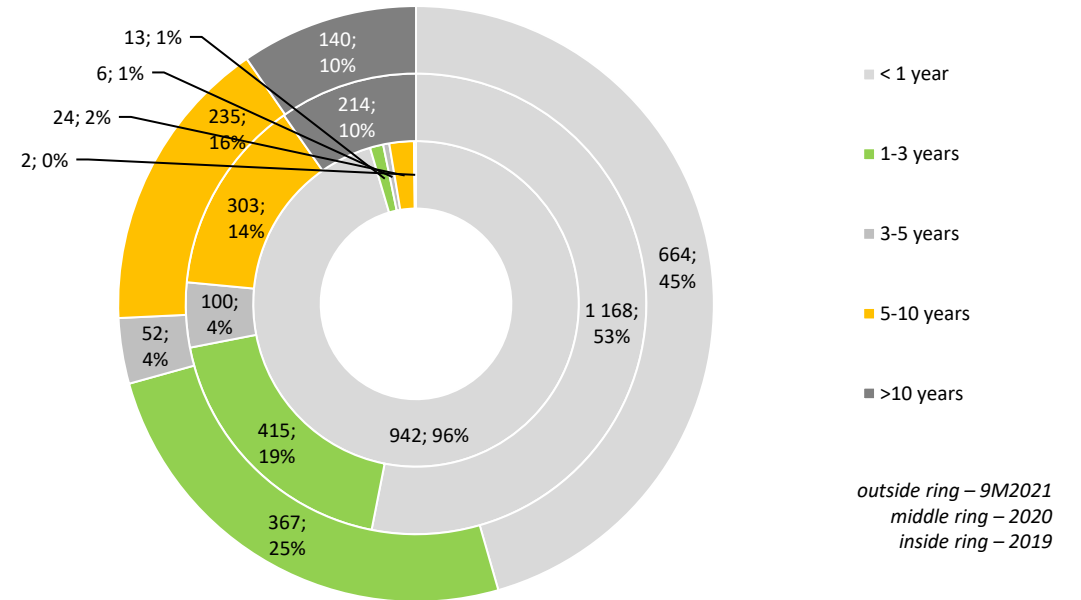
< 1 year	12 % 9M'2021	←	9 % 2020	←	— 2019
1-3 years	28 % 9M'2021	←	25 % 2020	←	10 % 2019
> 10 years	22 % 9M'2021	←	42 % 2020	←	87 % 2019

Trading volume Secondary Market

Instrumental structure of the GS secondary market, million USD



Structure of GS offerings in the secondary market by maturity, million USD



Share of trade volume, by GS type:

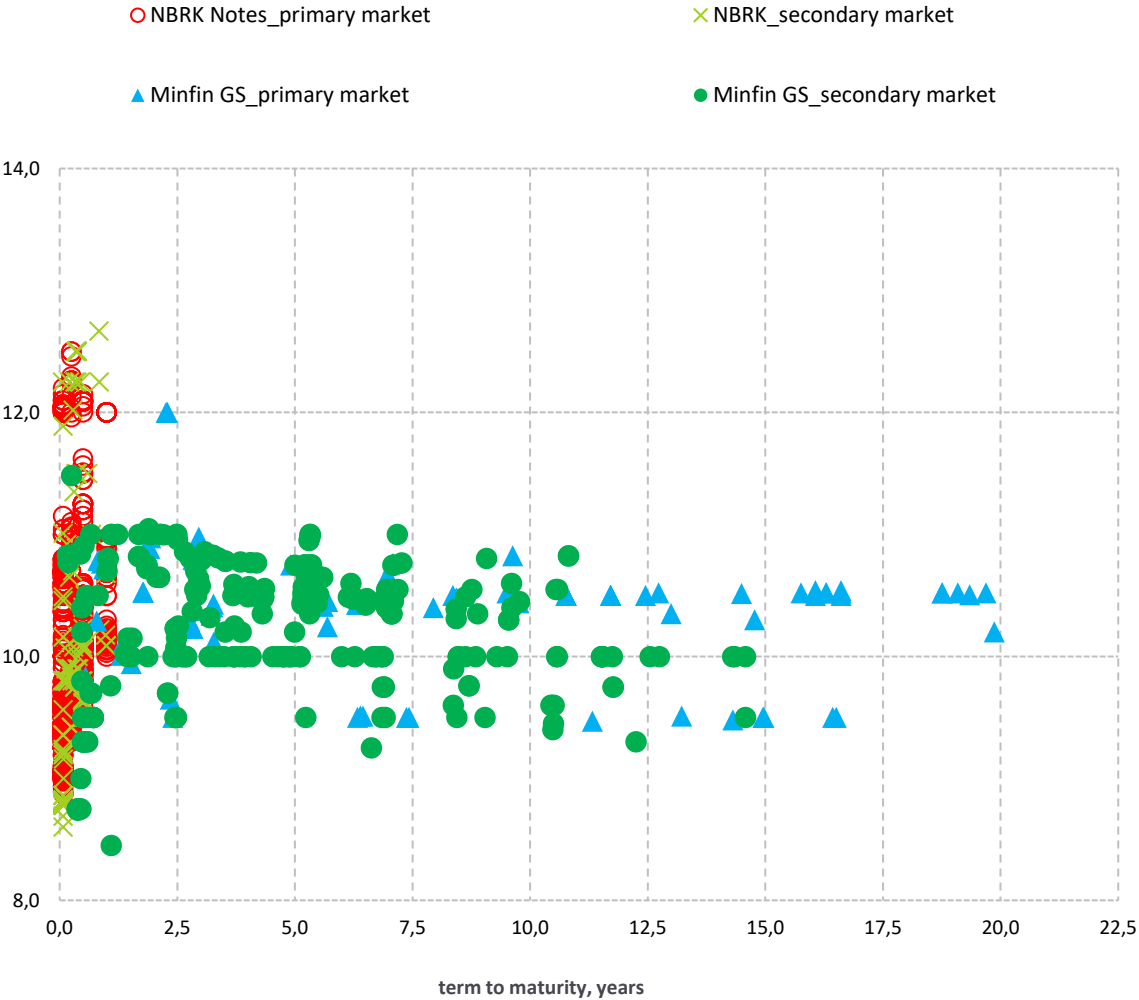
notes	38 % 9M 2021	←	50 % 2020	←	95 % 2019
MEKAM	58 % 9M 2021	←	49 % 2020	←	3 % 2019
Eurobonds	4 % 9M 2021	←	1 % 2020	←	2 % 2019

Share of trade volume, by maturity:

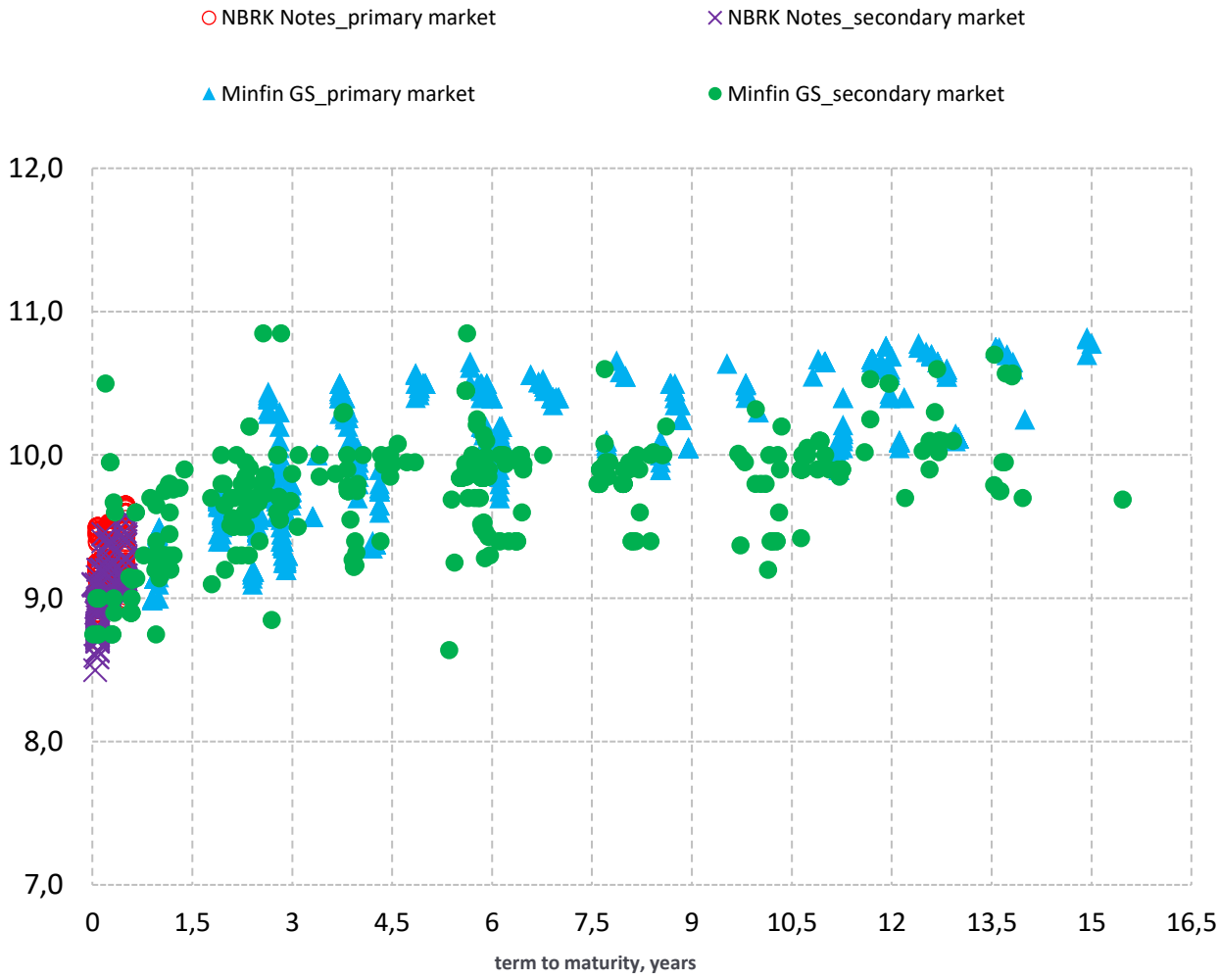
< 1 year	46 % 9M'2021	←	53 % 2020	←	95 % 2019
1-3 years	25 % 9M'2021	←	19 % 2020	←	1 % 2019
> 10 years	10 % 9M'2021	←	10 % 2020	←	0,2 % 2019

Yield of transactions on the government securities market

Yield of transactions in 2020



Yield of transactions for 9M'2021



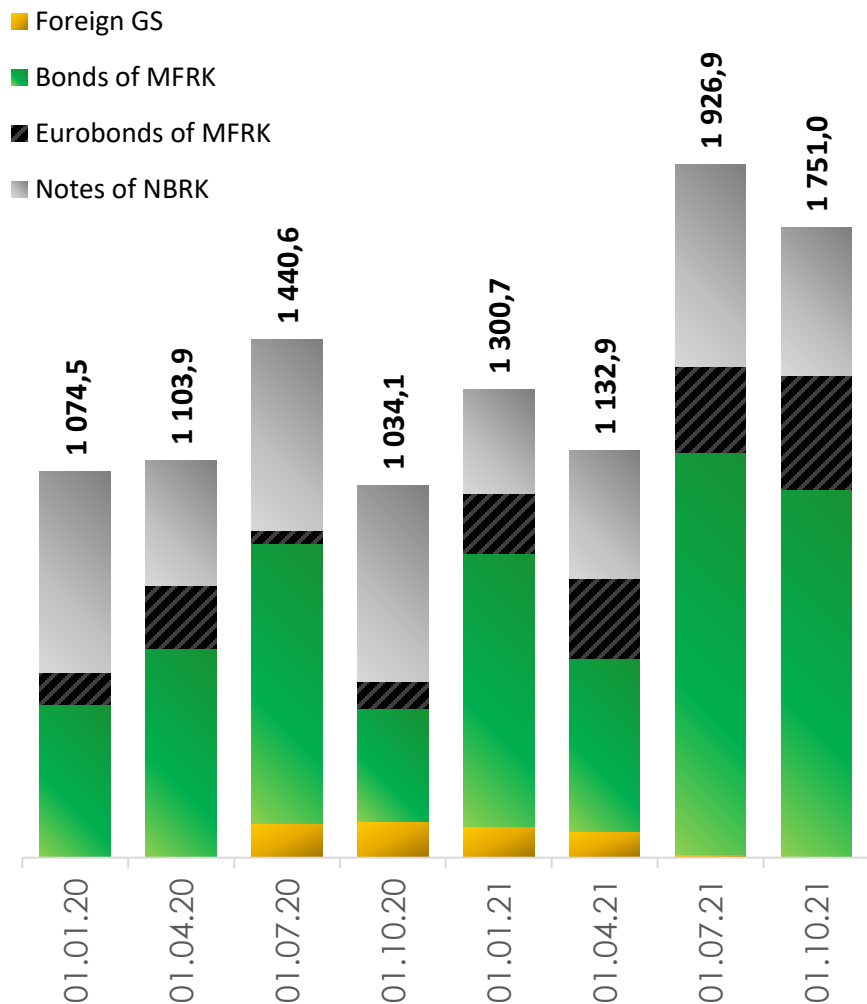
Source: KASE

Yield of deals by GS type

Type	Description	2020 year		9M'2021	
		primary	secondary	primary	secondary
NBRK notes	Short-term notes with a maturity of 7 to 360 days. The terms of the auctions and the volumes of issues are regulated by the National Bank of the Republic of Kazakhstan and are announced in the conditions of the auctions	8,9%-12,5%	8,6%-12,7%	8,71%-9,65%	8,5%-9,58%
MEKKAM of MF of RK	Discount short-term treasury bonds	9,8%-10,8%	8,74%-10,5%	8,99-9,49%	8,75%-10,50%
MEOKAM of MF of RK	Medium-term treasury bonds with a maturity of 2-3 years	9,5%-12,0%	8,45%-11,0%	10,40-10,57%	9,20%-9,50%
MEUKAM of MF RK	Long-term treasury bonds with maturities of up to 10 years	9,5%-11,0%	9,3%-11,5%	9,00%-10,82%	8,64%-10,85%
MEUJKAM of MF RK	Long-term savings treasury bonds with a maturity of more than 10 years. Indexed to inflation for the past coupon period	-	-	-	-
Eurobonds of MF RK	Treasury bills with different maturities issued in foreign currencies in accordance with foreign legislation	-	0,94%-2,94%	-	0,65%-3,44%
Municipal bonds of akimdiks of RK	Obligations of local akami's executive bodies (akimdiks)	0,35%-6,09%	-	4,25%-10,80%	-

Participants' obligations in the GS repo sector

Participants' open positions in the GS auto repo sector on KASE by security, million USD

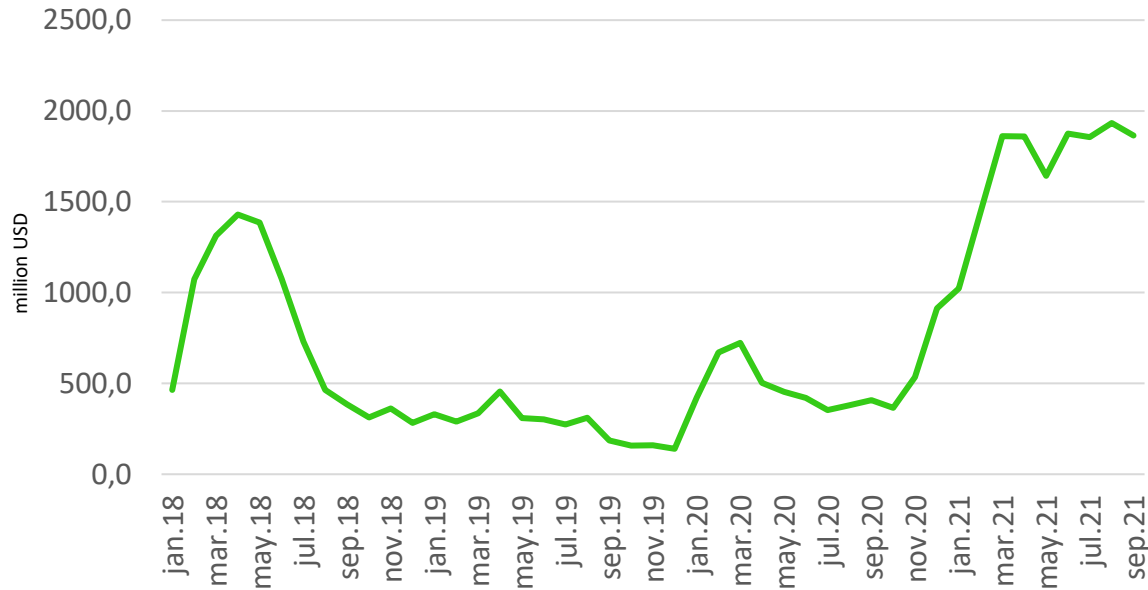


Source: KASE

	1D, 2D, 3D, 7D, 14D, 30D on some securities and repo transactions without CCP in tenge
Auto repo transactions' term	1D, 2D, 3D, 7D, 14D, 30D, 90D with a particular GS basket and BISP with CCP in tenge
	1D, 7D repo with CCP in US dollars
	1 D with GS basket with CCP at additional session
Nego repo transactions' term	up to 30D with CCP in tenge
	up to 90D without CCP in tenge
	up to 7D with CCP in US dollars
Underlying asset of auto repo transactions with CCP	securities included in the List T+, GS basket, BISP basket, NBRK basket
Underlying asset of nego repo transactions with CCP	securities included in the List T+
Underlying asset of automatic repo transactions without CCP	shares included in the List T+, GS basket
Underlying asset of nego repo transactions without CCP	are determined by the participants of these transactions independently from the number of securities admitted to circulation on the Exchange

Measures for development of the GS market

The volume of public debt owned by non-residents of the Republic of Kazakhstan, million USD



Market-makers on the GS market:



- ✓ currently there are three market-makers
- ✓ the volume of mandatory quotations is ≈ 1,174 thousand USD at par value*
- ✓ the spread is 1% of the price of the mandatory purchase quotation
- ✓ timeout for a market-maker is 150 minutes during the trading day

I. Building a risk-free yield curve

- ✓ In 2021, the MoF plans to issue government securities in the amount of about **4,5 billion USD** with maturities from 1 to 15 years, incl. in the short sector – **up to 5 years** for up to **2.4 billion USD**.

II. Improving the Public Debt Management Policy

- ✓ Active work is conducted with the MoF to improve the public debt management policies

III. Increasing the liquidity of the secondary GS market

- ✓ An incentive **program for market-makers** on government securities launched at KASE
- ✓ UAPF and funds managed by the NB from time to time participate in the secondary market

IV. Infrastructure development and globalization of GS of the Republic of Kazakhstan


- ✓ Work is underway to include GS in the international index of developing countries **JP Morgan GBI-EM**
- ✓ The settlement process within the international line with Clearstream was converted from FoP to DvP. Settlements are in tenge.
- ✓ Negotiations are underway to create a **settlement infrastructure with Euroclear** (at the stage of defining a project implementation model)


*USD equivalent of 500 million tenge as per 01.10.21


Source: KASE, Ministry of finance


Central counterparty

Launch of the functionality

- 

Derivatives market
Introduced in 2012
- 

Currency market
Introduced in October 2018
- 

Stock market: liquid securities
Introduced in December 2019
- 

Stock market: all financial instruments of the stock market, including repo
Introduced in August 2020



Transition to new trading systems

- 

Derivatives market
Scheduled for 2021
- 

Currency market
Introduced in November 2020
- 

Stock market: liquid securities
Introduced in December 2019
- 

Stock market: all financial instruments of the stock market, including repo
Introduced in August 2020

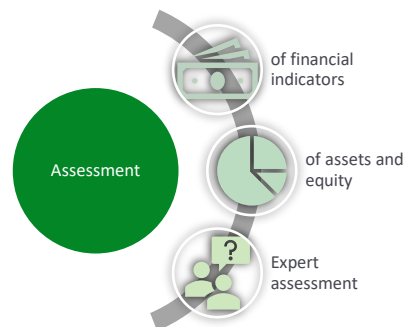
Clearing funds and CCP's protection levels



Requirements for the financial condition of clearing participants

The CCP regularly analyzes the financial condition of clearing participants by assigning internal ratings

Based on the results of the analysis of the financial condition, the clearing participants are assigned the categories "with partial collateral" or "with full coverage"



Admission of financial instruments to deals with partial collateral

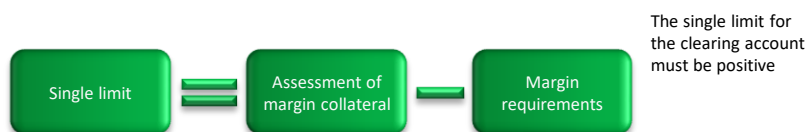
The CCP monitors the quality and liquidity of FIs admitted to deals with partial collateral (List T+) and accepted as collateral for deals with partial collateral (List of collateral T+), based on the results of which FIs can be included or excluded from the List T+ and/or the Collateral List T+

FI risk-parameters system

- Price boundaries are set for instruments on a daily basis.
- Orders that do not fall within the boundaries are automatically rejected
- Price boundaries depend on the collateral rate calculated by the CCP for each asset
- If orders approach the price boundary, the boundaries move in the direction from the center and in the direction of the market movement
- After the boundaries shift online, the collateral rate changes
- Based on the results of the shift of boundaries, the risk of participants and positions is reassessed at a single limit

Control of the collateral sufficiency

Market	Margin collateral	Method of measuring the collateral sufficiency	Guarantee contributions
Currency	• Money (KZT, USD)	Single limit	✓
Stock	• Financial instruments, included in the Collateral List T+ • Money (KZT, USD)	Single limit	✓
Derivatives	• Money (KZT)	Supported margin	✓



As a security for the fulfillment of obligations of clearing participants with full coverage, the CCP establishes requirements for full coverage of net obligations on all clearing accounts of such a CP.

Revaluation of collateral value for CP with partial collateral

Revaluation of collateral is performed daily both during the clearing session and during trading (if the price boundaries were changed)

For calculation of collateral, risk limits have been established.

The volume of market/interest rate risk, taking into account revaluation, is calculated as the distance to the corresponding border.

In the case of a covered sale (the participant has an obligation to deliver securities and the security is in the participant's account), the market risk is considered covered.

The amount of collateral of the clearing participant depends on the volume of the position.

If the volume of the position (deposited collateral) is less than the concentration limit, then the initial margin rate is applied.

If the position volume has exceeded the concentration limit, then the initial margin rate is applied to the volume equal to the concentration limit, the concentration rate is applied to the volume in excess of the amount of the concentration limit.

Contents

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- 02 | About KASE
- 03 | Review of KASE's GS market
- ▶ 04 | Execution of GS transactions by non-residents

Schedule of trading on the GS market

Method of concluding nego deals	10:30 – 17:30
Continuous counter auction method with securities not included in the List T+	11:20 – 17:00
Continuous counter auction method with securities included in the List T+	11:20 – 17:30
First clearing session	15:30 – 17:00
Second clearing session	17:30 – 18:45
Instruments of repo transactions carried out by the "nego" method; "auto" repo market instruments	10:30 – 17:00

Trading methods:

- ▲ continuous counter auction (Order-Driven Market)
- ▲ negotiated deals mode
- ▲ primary offering auctions (special trading sessions)

Modes:

- ▲ T+ GS (deals are settled on the second business day)
- ▲ T0 GS (deals are settled on the conclusion day)

Repo transactions with GS:

- ▲ auto repo (in the basket) with CCP and without CCP
- ▲ negotiated repo with CCP and without CCP

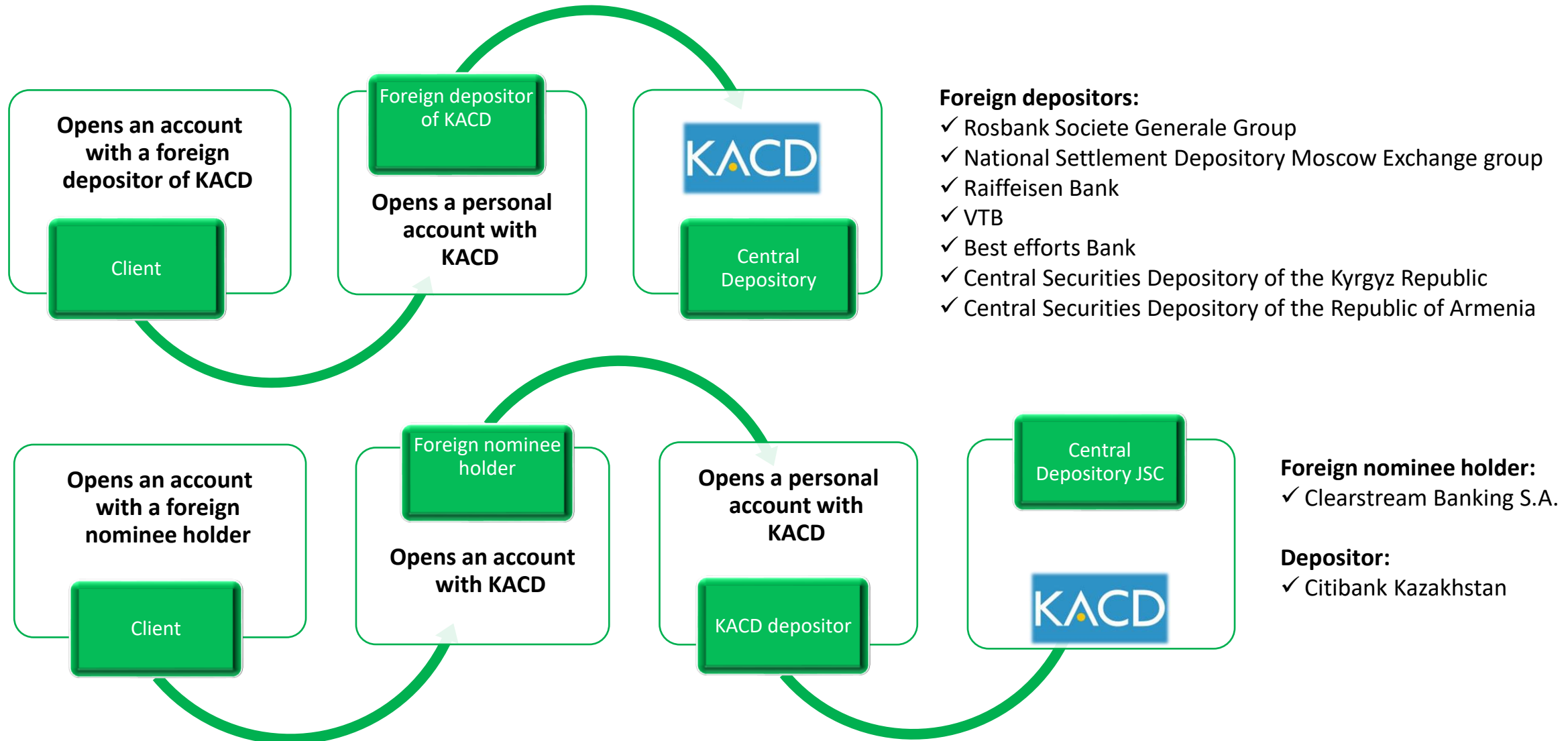
Collateral on the GS market:

In the ASTS+ trading and clearing system, there are two categories of clearing participants in the stock market, taking into account a single limit:

- ▲ with full coverage
- ▲ with partial coverage

The admission of securities accepted as collateral for deals with partial collateral on the government securities market is established for securities included in **the Collateral List T+**. The current list is provided in the section of the main menu "Evaluation and Parameters", subsection "Risk parameters of financial instruments".

Access of non-residents to services of the Central Securities Depository



Registration of deals with GS of the Republic of Kazakhstan

On the regulated market

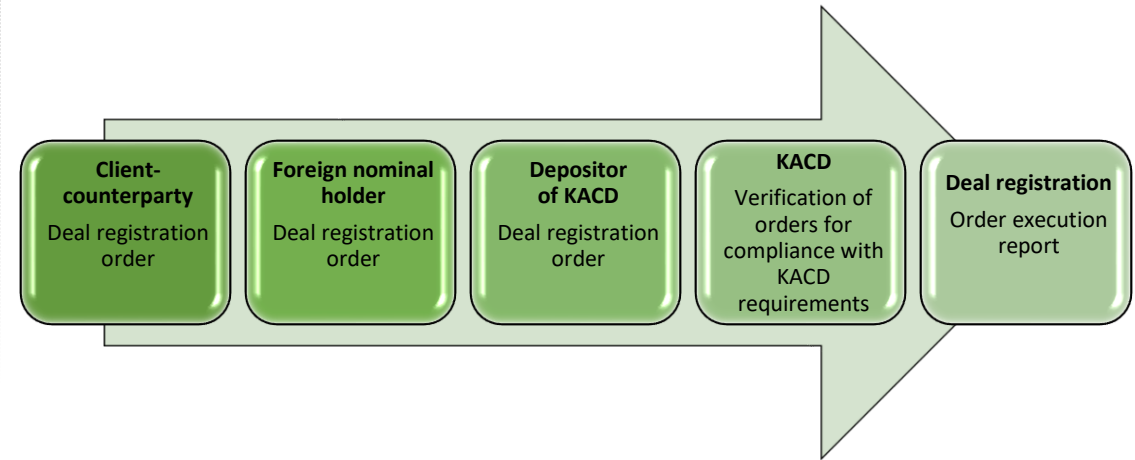
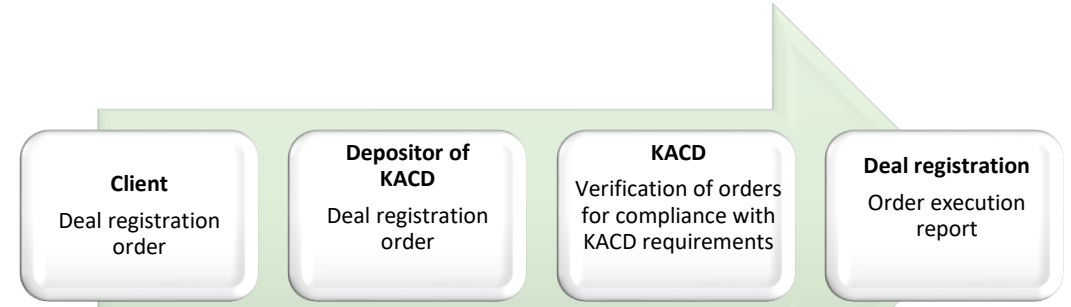


- Deal registration order
- Deal conclusion order
- KASE's order to register the deal
- Verification of orders for compliance with KACD requirements
- Order execution report



- Deal registration order
- Deal registration order
- Deal conclusion order
- KASE's order to register the deal
- Verification of orders for compliance with KACD requirements
- Order execution report

On the OTC market



Modes of settlement of deals with GS of the Republic of Kazakhstan



T+0

Market:
regulated

Settlement method:
gross-settlements (DVP-1)

Settlement bank:
National Bank of the RK
Central Depository

Collateral:
full pre-deposit of assets

Instruments:
any financial instruments, except
for those traded under the T+2
scheme



T+2

Market:
regulated

Settlement method:
net-settlements (DVP-3)

Settlement bank:
Central Depository

Collateral:
margin requirements

Instruments:
financial instruments included in
the list, on deals with which KASE
carries out clearing activities



T+n

Market:
regulated

Settlement method:
gross-settlements (DVP-1, FOP)

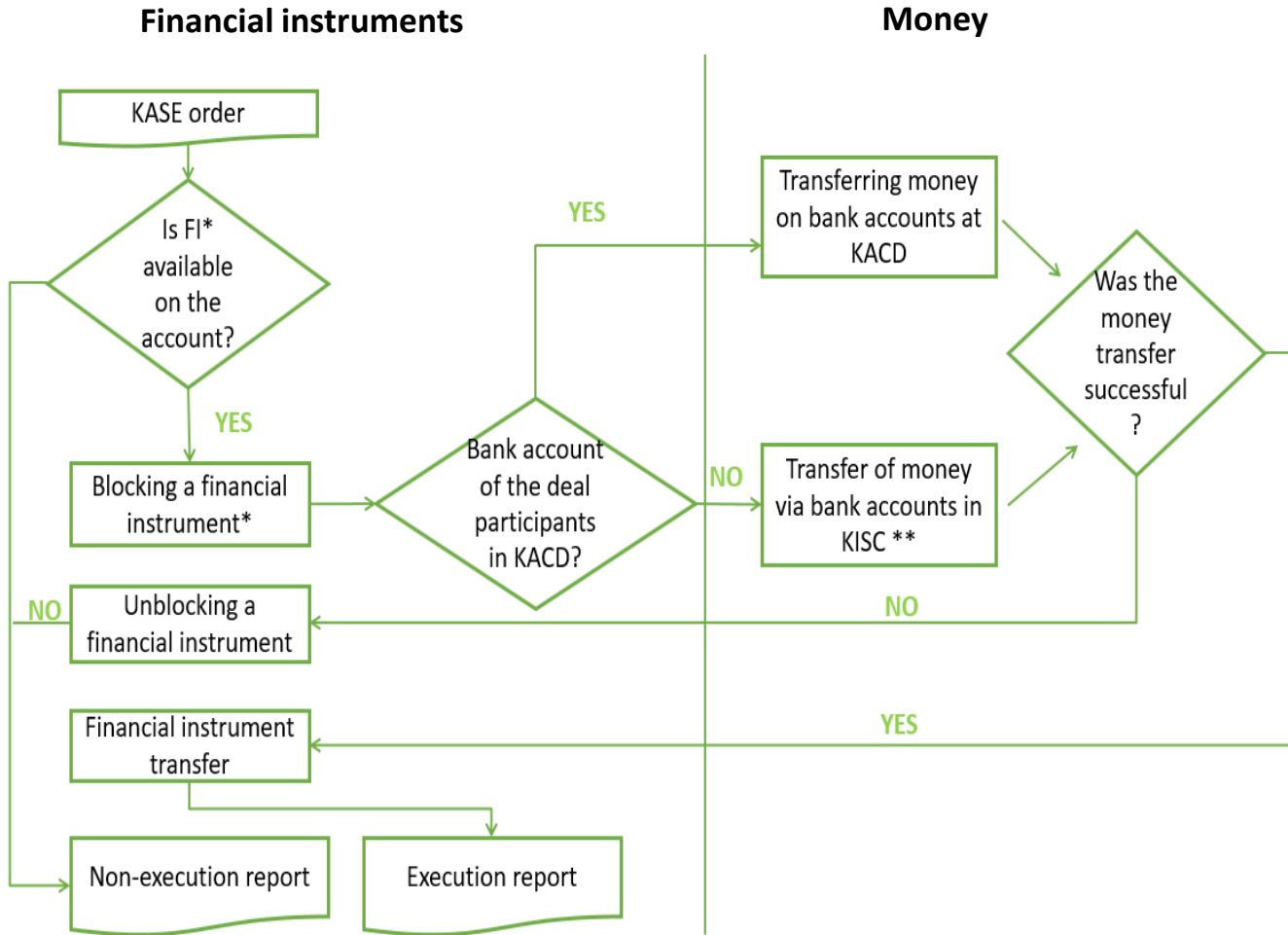
Settlement bank:
National Bank of the RK
Central Depository

Collateral:
there is no preliminary deposit of
assets (the availability of assets is
checked immediately at the time
of registration of the deal)

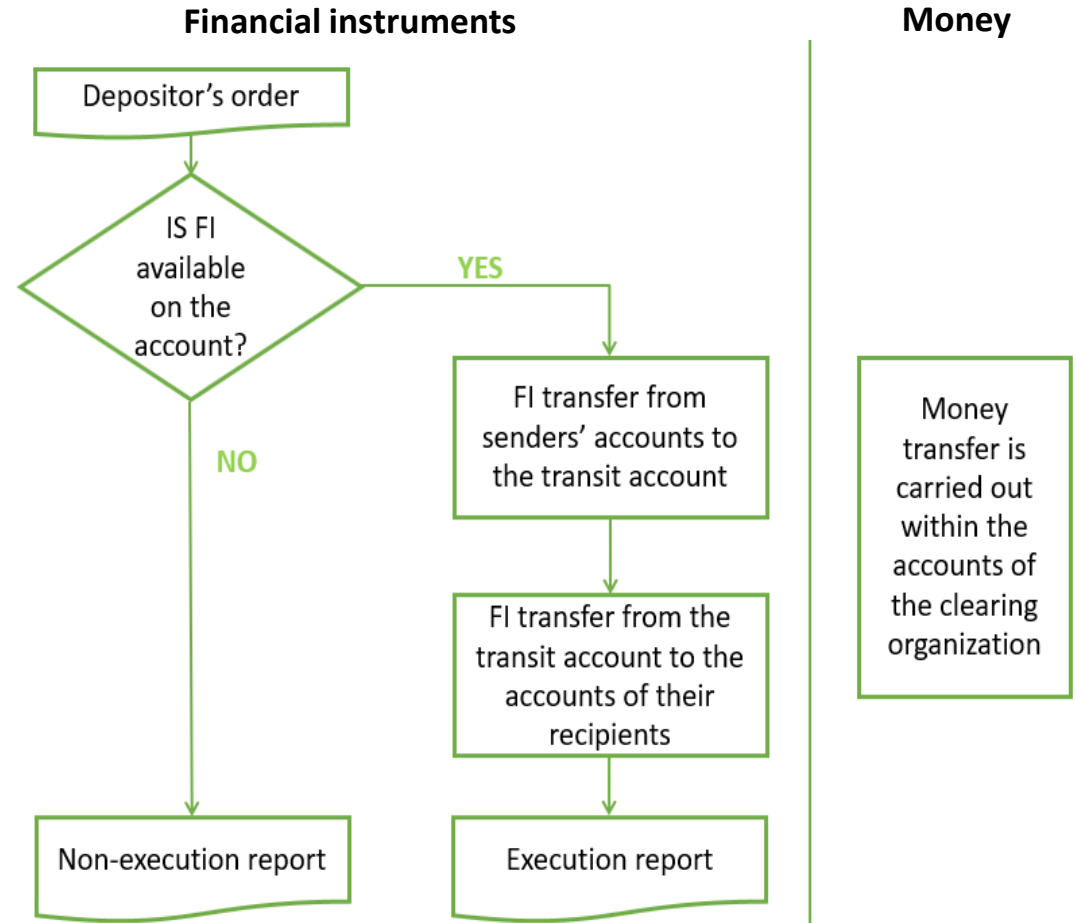
Instruments:
any financial instruments

Settlements in the organized market

T+0

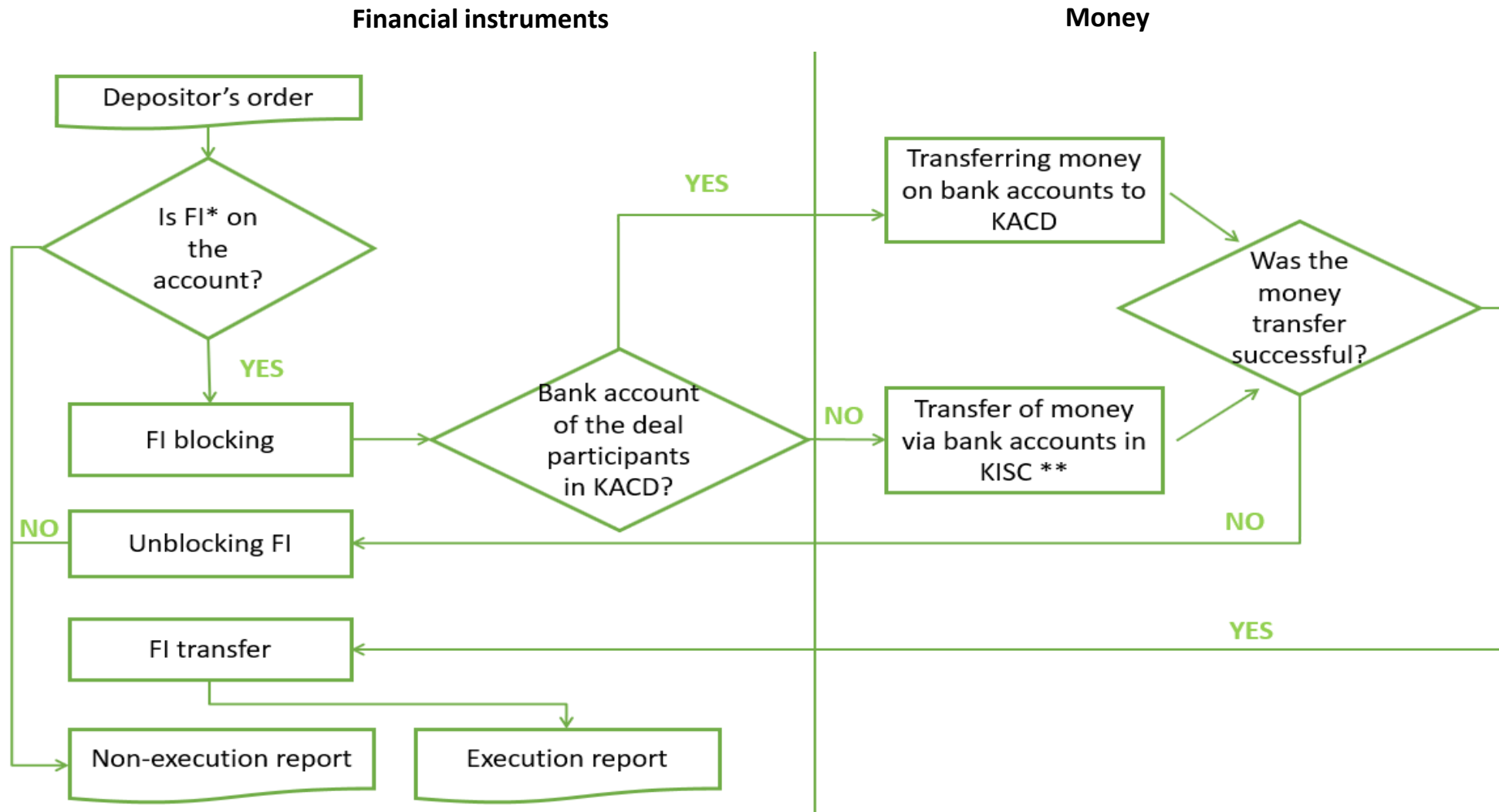


T+2



Settlements in the unorganized market

T+n (Delivery versus payment settlements)



Source: *FI – financial instruments **KISC - Kazakhstan Center for Interbank Settlements of the National Bank of the Republic of Kazakhstan

Access of non-residents to Kazakhstan's capital markets via Clearstream (CBL)

Settlements on government securities have been carried out through the international system Clearstream (CBL) can be executed through the national central depository (local settlement) or directly between counterparties CBL (internal settlement), as well as Free of Payment (FoP delivery without payment) or Delivery versus Payment (DvP delivery versus payment). Trades are conducted with CBL approved asset class:

✓ Government bonds issued by the Ministry of Finance

- MEOKAM State medium-term treasury bond;
- MEUKAM State long-term treasury obligations

✓ Bonds issued by the National Bank of Kazakhstan

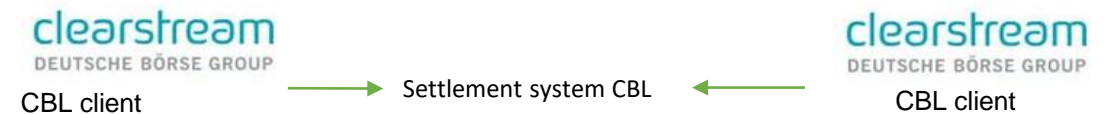
- Short-term discounted bonds and bonds with maturities of 7, 14, 28, 91, 182, 270 or 364 days;
- Bonds on KASE: notes of the National Bank of Kazakhstan

Local settlements



- ✓ Conducted through the custodian bank Citi Bank Almaty to the Clearstream's account with the central depository. Trades can also be conducted with any authorized broker/dealer/custodian bank
- ✓ Conducted on the basis of FOP or DVP in tenge
- ✓ Trading is carried out in T0 or as agreed by the parties
- ✓ Deadline for CBL clients: 15:00 o'clock (Almaty) or 10:00 o'clock (CET)
- ✓ Account of Clearstream Banking S.A. at the Central Securities Depository: 1024701240

Internal settlements



- ✓ Conducted only for parties with an account in CBL and unavailable for local custodians or brokers/dealers
- ✓ Conducted on a FOP or DVP basis in any currency available in the CBL
- ✓ Trading is carried out in T0 or as agreed by the parties
- ✓ Deadline for CBL client 19:00 o'clock (CET)
- ✓ Clearstream Banking S.A Account: 5-digit CBL Account

Thank you for attention !

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FAQ



KASE

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