

KAZAKHSTAN STOCK EXCHANGE INC

PRESS RELEASE

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Amendments to Rules on Acknowledgement of Price Manipulative Security Deals – Only First Step to Change Legislation

On July 15, 2008 the Ministry of Justice of the Republic of Kazakhstan registered resolution No. 78 of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (AFS) "On Introduction of Amendment to Resolution No. 110 of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations of March 26, 2005 "On Approval of Rules on Acknowledgement of Price Manipulative Security Deals"" of May 26, 2008 (the Resolution)¹ in accordance with which the list of security deals not considered by AFS as price manipulative has been enlarged.

Earlier only two types of deals were considered as price manipulative:

- repo opening and closing deals, which refer to the same repo transaction, executed in the trade organizer trading system sector intended for such transactions;
- two deals of the same volume in the same securities, the second of which has been concluded for purposes of correction of the technical error committed at conclusion of the first of the two deals.

The Resolution has complemented the list with two more types of security deals:

- deals concluded by a market maker for the purpose of maintaining of security mandatory quotation in the trade organizer trading system;
- deals in securities, concluded in the trade organizer trading system by open trade method, provided, during the last thirty days, preceding the deal conclusion date, but at least within ten days of this period, at least twenty deals in these securities were concluded by at least ten trade organizer members for the total of fifty million tenge.

Thus, AFS took into account additional availabilities of exchange deals, which, due to their nature, must not be evaluated by the state as security price manipulative; however, such deals could be referred to as manipulative according to formal features.

The amendment has been initiated by members of the Association of Financiers of Kazakhstan (AFK) and Kazakhstan Stock Exchange (KASE). The working group consisting of representatives of AFS, KASE and AFK members was formed at the beginning of 2008 to respond the initiative.

Welcoming the approval of the Resolution, KASE, at the same time, is emphasizing the Resolution comprised only some proposals of those discussed by the working group. Item 3 of article 56 of the law of the Republic of Kazakhstan "On Securities Market", a priori and without exception defining deals with certain features as executed for purposes of security price manipulation, should be further modified.

According to KASE, the legislation act regarding this issue must not be of imperative nature (with account of unlimited variety of circumstances, at which, or under influence of which, exchange deals in securities are concluded), but, must exclusively specify that one or the other feature may characterize (however, may not do so) deals as concluded for the security price manipulative purpose. The procedure of determination of suspicious deals as concluded for such purpose is to be changed – such deals are to be determined by the expert method engaging AFS, KASE, AFK and other organizations' specialists.

KASE expresses appreciation to AFK and AFS for the support and cooperative actions on improvement of the legislation and voices hope that necessary changes of the law of the Republic of

¹ Kazakhstan "On Securities Market" will be made in the shortest terms.

For reference:

KASE is the only Kazakhstan exchange providing services for the financial market. This is a universal floor where trades in repo market instruments, foreign currencies (US dollar, euro, Russian ruble) government and corporate securities of Kazakhstan and foreign issuers, bonds of international financial organizations are held. In 2007 KASE trade turnover totaled USD322.5 bn., including share market – USD8.9 bn. As of August 1, 2008 KASE capitalization was estimated at USD81.7 bn. for share market and USD12.2 bn. for corporate bond market.