



Transactions in government securities of the Republic of Kazakhstan for non- residents

(conference call)

March 2021

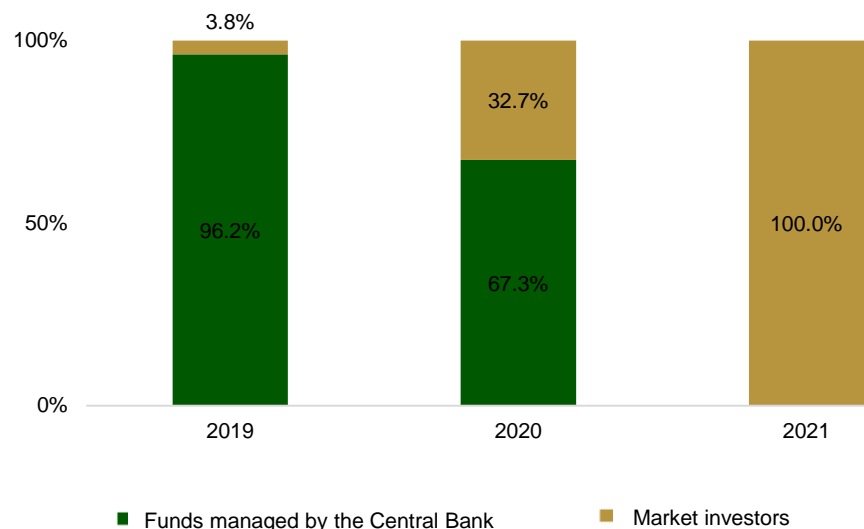


AGENDA

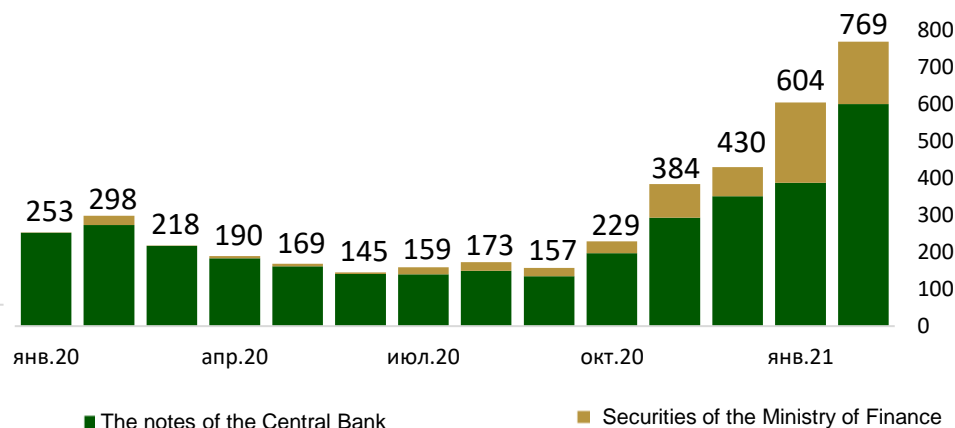
1. Market of Government securities (hereinafter – GSs) of the Republic of Kazakhstan
2. Methods of trading on the GSs market
3. Schedule of trading on the GSs market
4. Collateral on the GSs market
5. Accounts to be opened and settlements with Central Securities Depository
6. Accessing Kazakhstan Capital Markets through Clearstream
7. Questions and answers session

GSs market

Share of participation in auctions in GSs of the Republic of Kazakhstan



Volume of notes and GSs of the Ministry of Finance held by non-residents, KZT bn



- ✓ In 2020, the MoF started issuing GSs **with the most popular maturity period from 1 to 3 years**
- ✓ NBRK has limited the issue of **one-year notes**; semi-annual notes are offered in **a limited volume**. As a result, **the share of market participants** in initial auctions in GSs of MoF increased to **32.7%** from **3.8%**
- ✓ Investments of international investors in government securities of the Republic of Kazakhstan increased to **169** billion tenge from **1 billion tenge** a year earlier. The volume of portfolio investments of non-residents in government securities and notes of the National Bank reached 769 billion tenge, or 1.84 billion US dollars
- ✓ The total share of **non-residents investing** in government securities and notes of the National Bank increased to 5.46% against 1.45% at the beginning of 2020. The yield of government securities along the entire curve decreased by an average of 50 b.p.
- ✓ YTD GSs worth 484.7 billion tenge at par were allotted, with the bid topping the ask 4 times, and the market participation share being **100%** vs. **32.7%** in 2020

Measures to develop government securities market

I. Building a risk-free yield curve

- ✓ In 2021, the MoF plans to issue government securities in the amount of about 1.9 trillion tenge with maturity of 1 to 15 years, incl. GSs in the amount of up to 1 trillion tenge with maturity of up to 5 years in the short-term sector.

II. Improving Public Debt Management Policy

- ✓ Active cooperation with the MoF is underway to improve public debt management policies

III. Increasing the OTC GSs market liquidity

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

IV. Infrastructure development and globalization of government securities of the Republic of Kazakhstan

- ✓ Work is underway to include government securities in the international index of developing countries JP Morgan GBI-EM
- ✓ The settlement process within the international line with Clearstream went 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*)

The following is available on the government securities market:

trading methods:

- Order-Driven Market
- negotiated transactions mode
- primary placement auctions (special trading sessions)

modes:

- T+ government securities (deals are settled on the second business day)
- T0 government securities (deals are settled same day)

repo transactions in government securities:

- automatic repo (in the basket) with and without CCP
- direct repo with and without CCP

market-makers:

- currently, there are three market makers
- the volume of mandatory quotes is 500 million tenge at par
- the spread is 1% of the mandatory purchase quote price
- market-maker timeout is 150 minutes during the trading day

Schedule of trading on the government securities market

Item No.	Transaction	Trading time, (ALT)		Control and security system operation hours, (ALT)
		Order-Driven Market	Negotiated deals method	
1	2	3		4
1.	Purchase and sale of securities (settlement day T+n)	11:20 – 17:30	10:30 – 17:30	11:30 – 17:30
2.	Purchase and sale of securities (settlement day T0)	11:20 – 17:00	10:30 – 17:00	
3.	Repo transactions with CCP	11:30 – 17:00	10:30 – 17:00	
4.	Repo transactions without CCP	11:30 – 17:00	10:30 – 17:00	

Partial security dealings on the GSs markets are available for FIs in case of securities included in the "List T+". Securities included in the List T+ are liquid securities.

Admission of securities accepted as collateral for deals with partial collateral in the stock market is established for securities included in the "Collateral List T+".

Requirements for the inclusion of securities in the List T+ are established on the basis of the following criteria:

assessment of the securities' liquidity

assessment of the financial position of the securities issuer

ratings assigned to the security / security issuer by international rating agencies

availability of all parameters for calculating the fair market price of the securities

expert assessment of the Market Risk Committee

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**
- **partially secured**



БАҒАЛЫ КАҒАЗДАР
О Р Т А Л Ы Қ
ДЕП●ЗИТАРИЙІ

ЦЕНТРАЛЬНЫЙ
ДЕП●ЗИТАРИЙ
ЦЕННЫХ БУМАГ

C E N T R A L
S E C U R I T I E S
D E P ● S I T O R Y

Opening accounts and settlement of deals in "Central Securities Depository" JSC

2021 year



client

opens an account with a foreign depositor of KACD



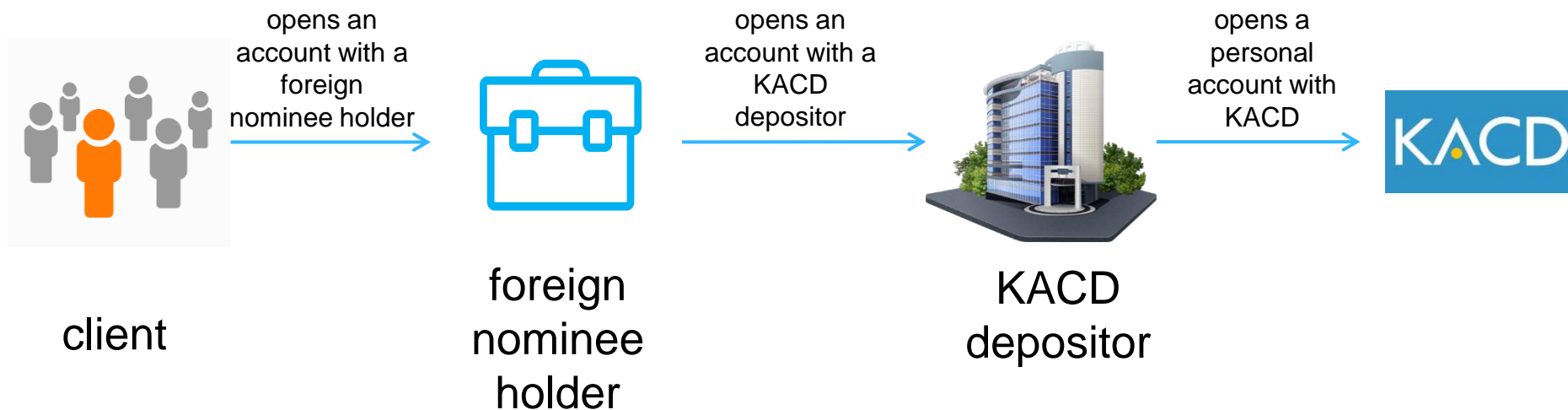
foreign depositor of KACD

opens a personal account with KACD



Foreign depositors:





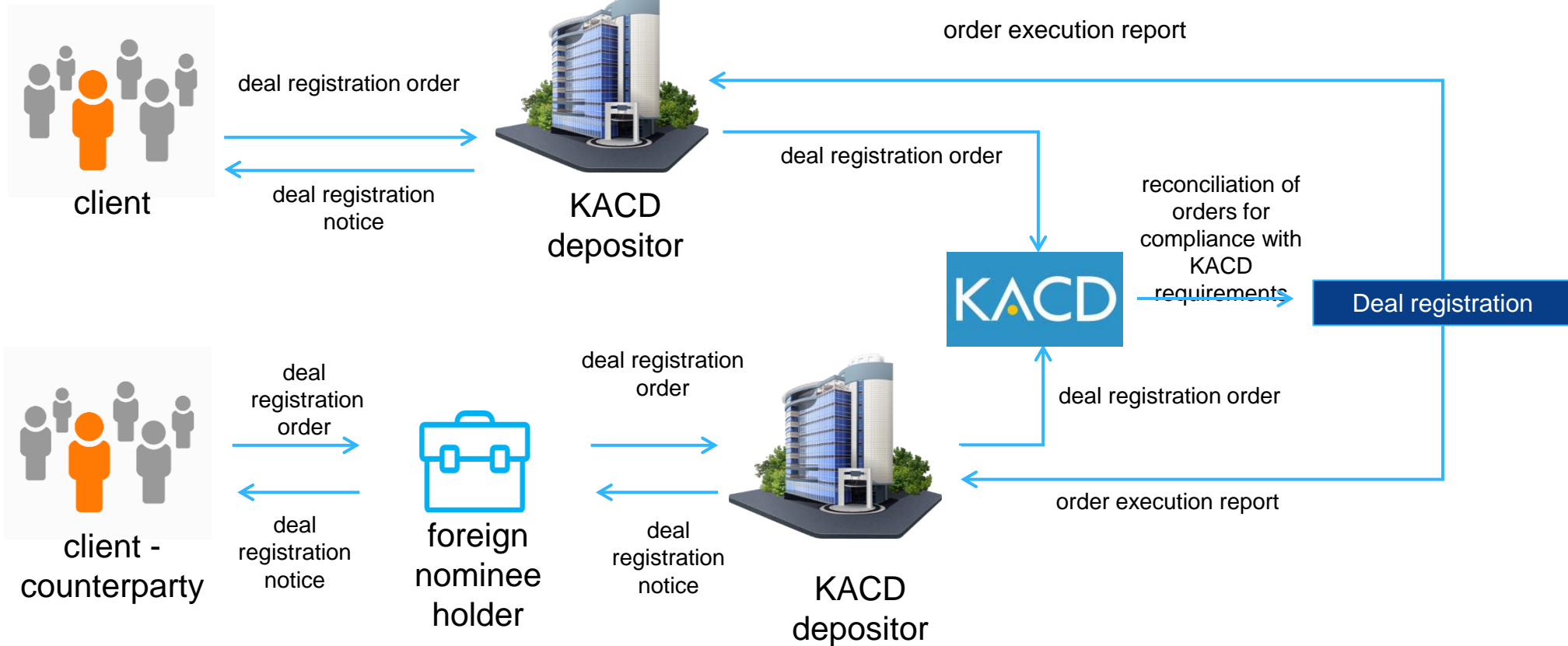
Example:

clearstream

– foreign nominee holder – Clearstream Banking S.A.

citibank

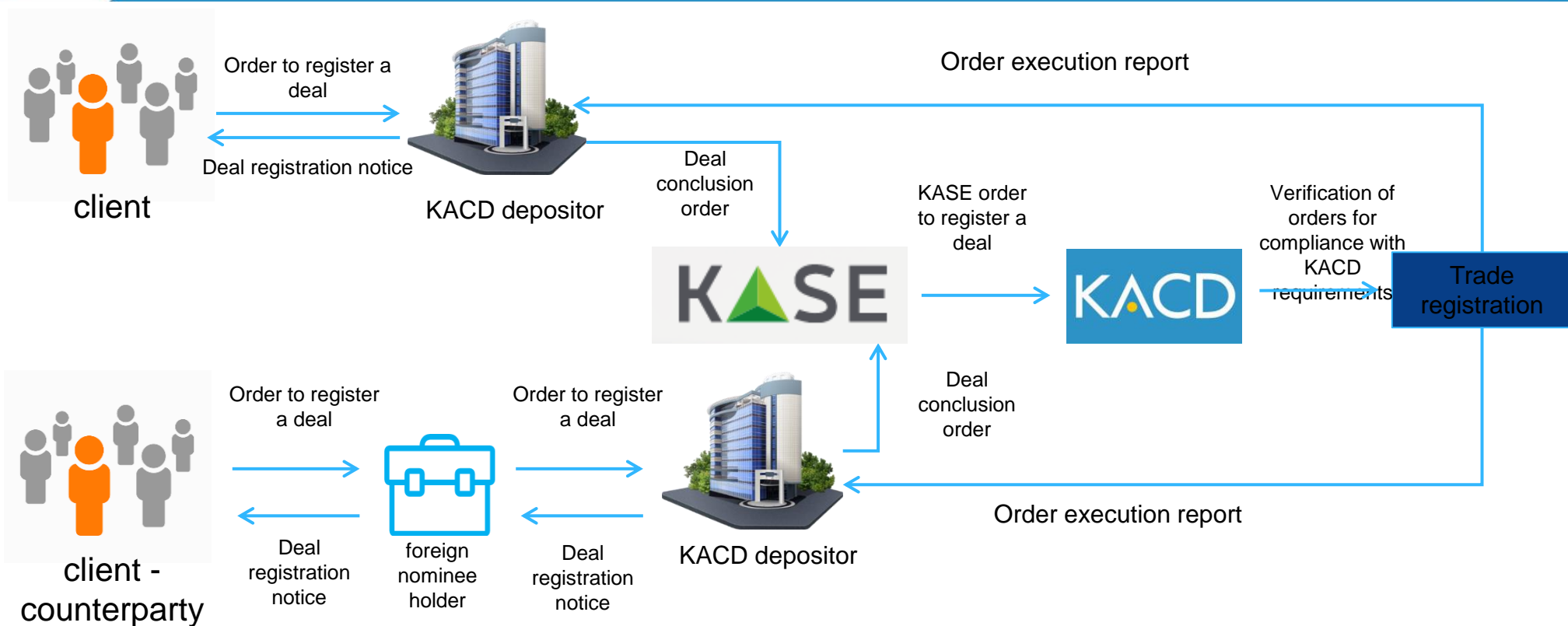
– KACD depositor – Citibank Kazakhstan JSC



KACD rules:



KACD | Registration of a deal on the regulated market



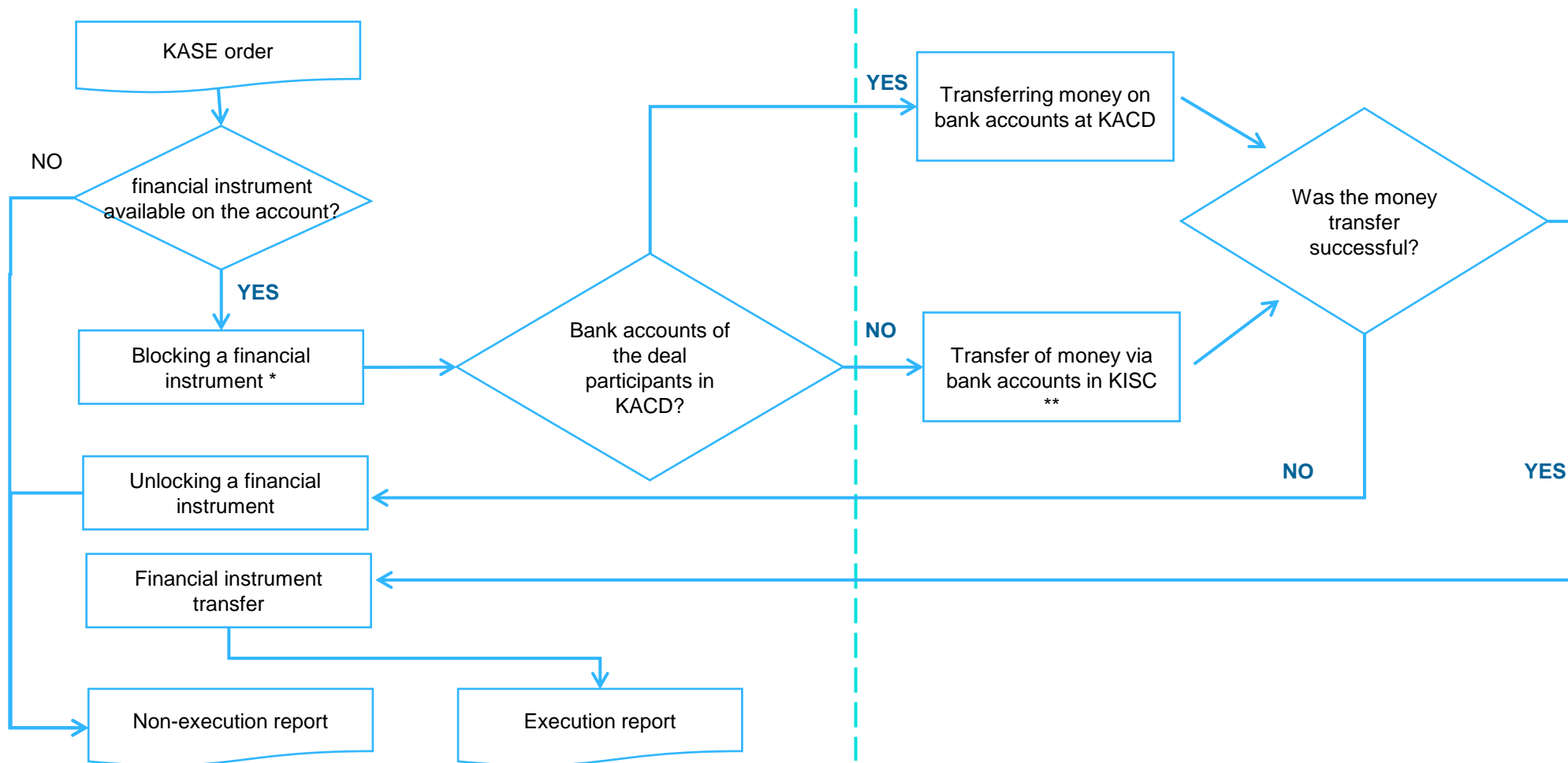


	T+0	T+2	T + n
Market	regulated	regulated	OTC
Settlement method	gross settlement (DVP-1)	net settlement (DVP-3)	gross settlement (DVP-1, FOP)
Settlement bank	National Bank of the Republic of Kazakhstan Central depository	Central depository	National Bank of the Republic of Kazakhstan Central depository
Security	full pre-depositing of assets	Margin requirements	no pre-depositing of assets (the availability of assets is checked directly at the time of the deal registration)
Tools	any financial instruments, except for those traded under the T + 2 scheme	financial instruments, included in the list, deals with which are cleared by KASE	any financial instruments



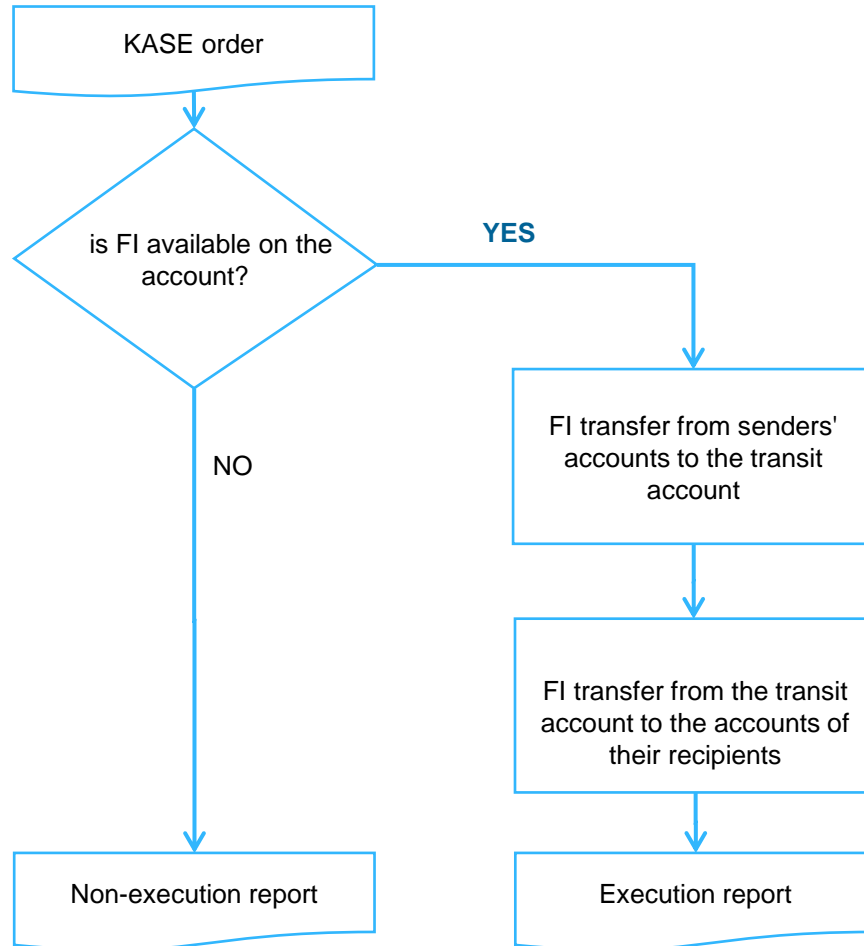
Financial instruments

Money





Financial instruments



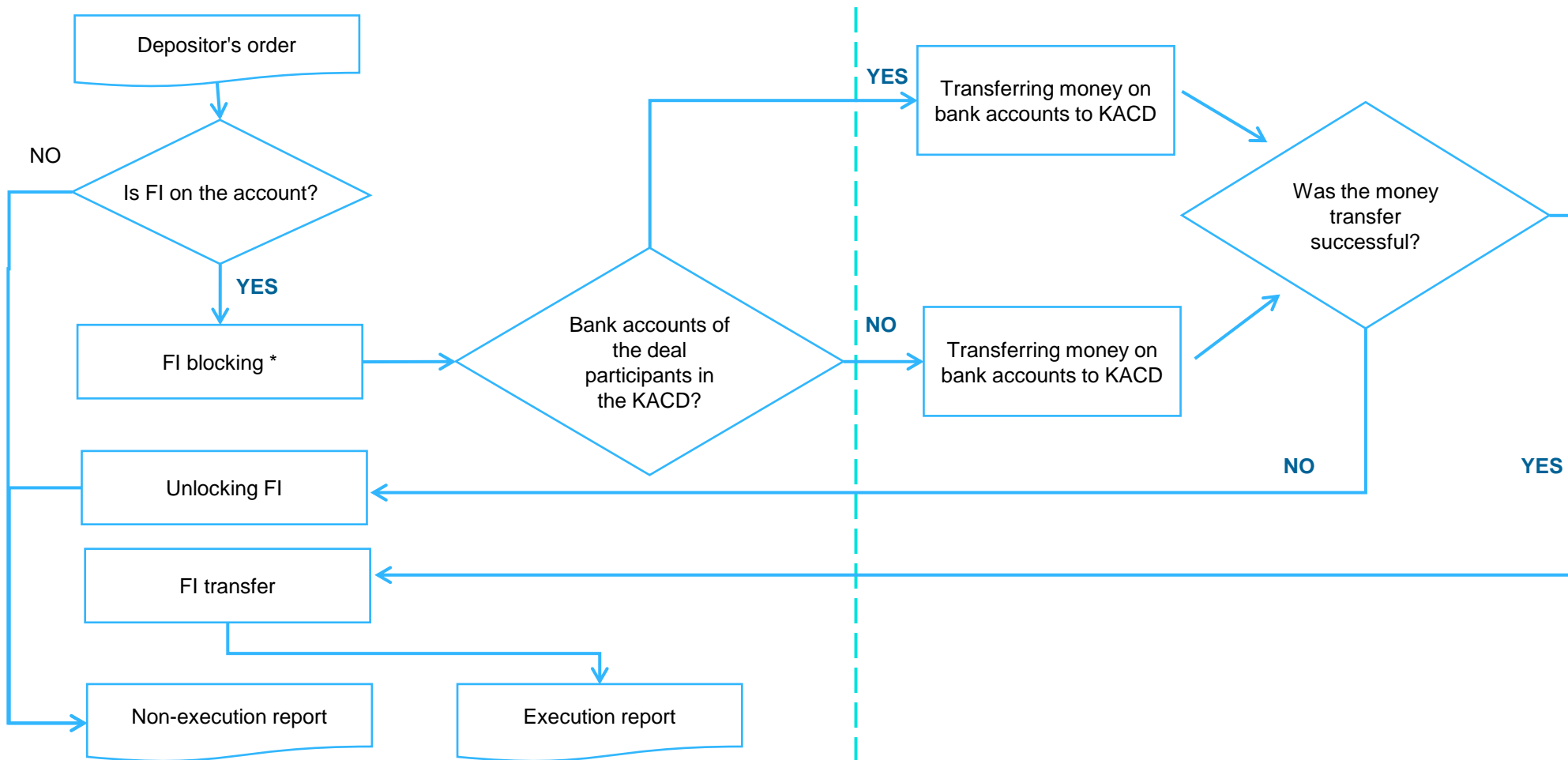
Money

Money transfer is carried out within the accounts of the clearing organization



Financial instruments

Money



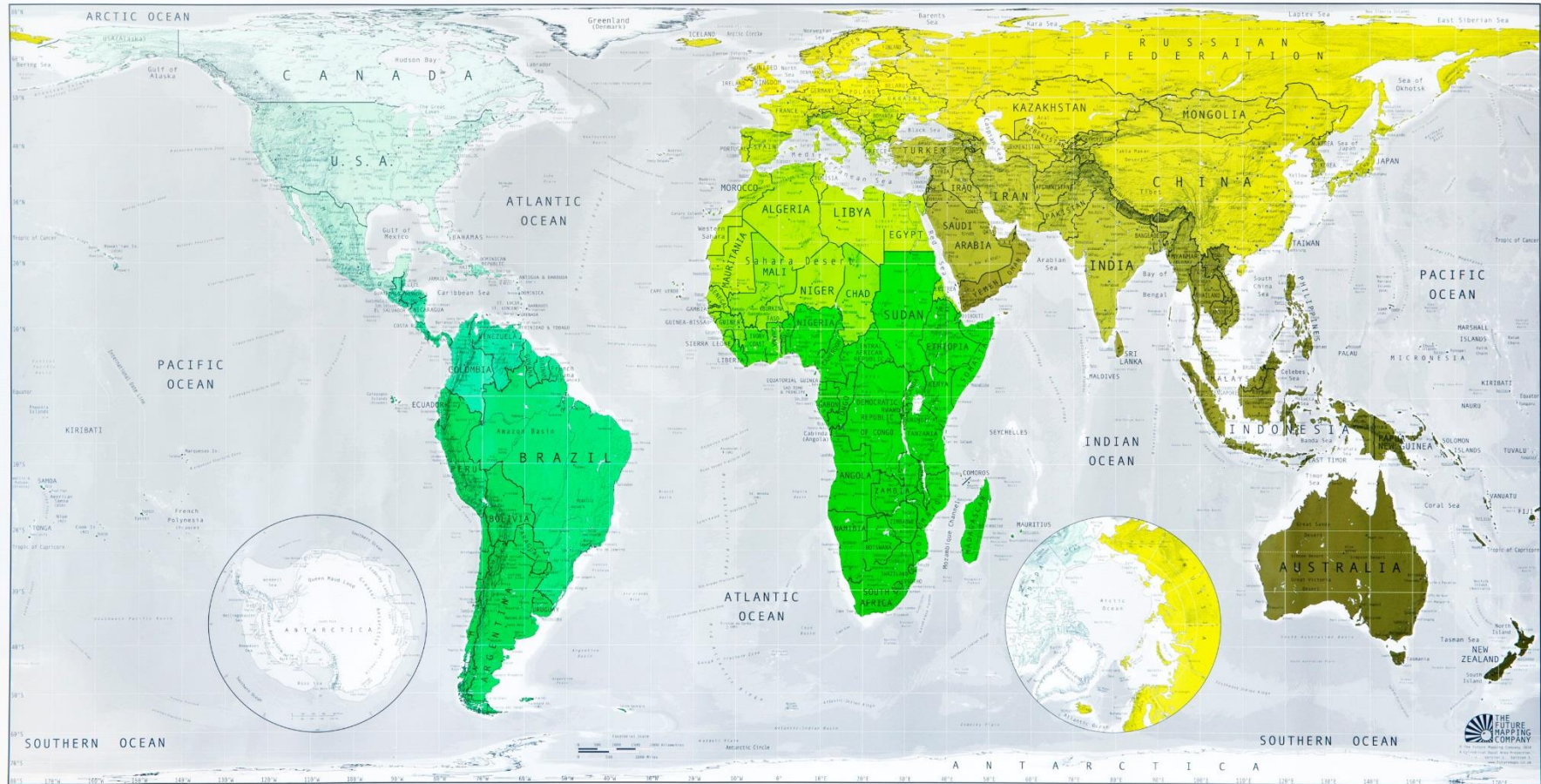
* FI - financial instrument

** KISC - Kazakhstan Center for Interbank Settlements of the National Bank of the Republic of Kazakhstan

Accessing Kazakhstan Capital Markets through Clearstream | DEUTSCHE BÖRSE GROUP



Clearstream's Global Presence



- AA Credit-rated institution
- Access to 58 markets worldwide
- Supported by 11 regional offices
- Providing 24 hour a day coverage
- AUC in excess of EUR 15 trillion

Accessing Kazakhstan Capital Markets through Clearstream

- **AGIL (“Accelerated Gradual Implementation of Links”) approach:**

- **1. Domestic settlement from/to CBL:**

- CBL eligible security asset classes:
 - Government bonds issued by the Ministry of Finance
The bonds are known locally at KASE as:
MEOKAM Government medium-term treasury obligation
MEUKAM Government long-term treasury obligation
 - Treasury Bills issued by the National Bank of Kazakhstan
Short-term discounted bills and notes with maturity 7, 14, 28, 91, 182, 270 or 364 days
The bonds are known locally at KASE as:
NTK National Bank of Kazakhstan Notes

- Domestic settlement accessible for CBL clients on a FoP and DvP (KZT only) basis with Local Custodians

- Domestic settlement accessible for CBL clients on a DvP (KZT only) basis with Local Brokers/Dealers

- **2. CBL Internal settlement:**

- Same CBL eligible security asset classes like for for Domestic settlement

- Internal settlement only accessible to parties having an account with CBL

- Not accessible to Local Custodians and/or Local Brokers/Dealers

- FoP and DvP accessible to CBL’s clients in any currencies eligible in CBL

Accessing Kazakhstan Capital Markets through Clearstream

1. Domestic settlement

clearstream
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CBL client

MT54X Settlement instruction



Local Custodian and/or
Broker/Dealer

MT54X Settlement instruction

Features

- Type of link: indirect Citi Almaty
- Trade can be performed on T+0 or as agreed with the parties
- Clearstream's deadline for CBL clients: 15:00 Almaty/10:00 CET
- Clearstream Banking S.A account at KACD:1024701240
- FoP possible for Local Custodian
- DvP in KZT possible and mandatory for Local Broker/Dealer
- CBL Market Link Guide:

Accessing Kazakhstan Capital Markets through Clearstream

2. CBL Internal settlement

clearstream
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CBL client

MT54X Settlement instruction



CBL Settlement Engine



MT54X Settlement instruction

clearstream
DEUTSCHE BÖRSE GROUP

CBL client

Features

- Trade can be performed on T+0 or as agreed with the parties
- Clearstream's deadline for CBL client 19:00 CET
- Clearstream Banking S.A account: 5 digits CBL account
- DvP in any CBL eligible currencies


Thank You

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Questions and answers session

Thank you for attention!

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