Thomas Murray

CCP Risk Assessment

KASE Clearing Center JSC (KACC)

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High risk — Low Risk

Overall Risk	A+ 6.13
Counterparty Risk	A+ 6.06
Treasury & Liquidity Risk	A+ 5.99
Asset Safety	AA- 6.96
Financial Risk	A+ 6.15
Operational Risk	A+ 6.27
Oversight and Transparency	A- 4.23

Outlook:	*Positive*

Additional risk*:

0 Poor — Excellent 1000

Cyber Security Score	345

* Additional risk assessed by Thomas Murray, not included within the overall assessment

Markets Supported

Cash	Exchange-Traded Derivatives	OTC Derivatives
Yes	Yes	No

Asset Classes

Equities	Bond	Interest Rate	Credit	Commodity	FX	Other
Yes	Yes	No	No	No	Yes	None

Risk Overview

Risk Factor Summary	Risk	Outlook
Counterparty Risk Summary KACC sets uniform requirements for all its members and regularly re-evaluates their financial robustness. The CCP has an internal rating methodology that assigns grades to members depending on their	A+	Stable

creditworthiness. However, the CCP does not set any risk management or operational requirements. KACC does not have tiered participation arrangements in place. KACC uses a pre-margining model, which requires clearing members to post collateral before entering into new transactions. This approach allows KACC to monitor and manage exposure to members throughout the day. The CCP will stop members from entering new transactions if they have insufficient collateral to cover the initial margin. The CCP recalculates critical risk parameters in the margin model on a daily basis and even intra-day if there is excessive volatility in the market. The CCP uses an Exponential Weighted Moving Averages VaR with the use of Monte Carlo simulations. The CCP calls and delivers variation margin once a day. KACC applies an anti-procyclicality stress buffer of 25% but does not use any other margin add-ons. KACC maintains separate default funds for each market, comprising a guarantee fund made up of clearing members' contributions and a reserve fund made up of the CCP's own funds. In the event of a default, KACC follows a defaulter-pays-first principle, where the defaulting member's margins and default fund contributions are used first to cover losses. If these resources are insufficient, the CCP will use its skin-in-the-game (SITG), but only up to 25% of the reserve fund per clearing day. After the CCP's SITG, KACC will use non-defaulting members' guarantee fund contributions.		
### *Treasury & Liquidity Risk Summary* KACC manages its treasury and liquidity risk mainly via an active reverse repo market which provides additional resources when required. Additional risk mitigators include using the central bank for KZT deposits, employing strongly rated banks for foreign currencies, and maintaining a low-risk investment strategy in short-term bonds. Nevertheless, KACC over relies on single banks for most foreign currencies and does not currently have any formal credit lines in place. In addition, stress testing could be enhanced by adding hypothetical scenarios in the analysis. KACC accepts both cash and securities as collateral but does not set a minimum level of cash margin thus potentially allowing members to fully collateralise by using securities. The CCP has full use of the collateral it takes and eligible instruments only include securities that can also be traded in KASE. The CCP monitors regularly the creditworthiness of issuers and sets haircuts based on volatility estimations.	A+	Stable
### *Asset Safety Risk Summary* KACC has implemented various measures which collectively contribute to a robust framework for asset safety, KACC segregates its own positions from those of its clearing members and clients' assets are segregated from their brokers'/dealers' assets, in accordance with Article 45.5 of the	AA-	Stable

Securities Market Law. KACC offers different account structures, including segregated client accounts (marked "I"), omnibus client accounts (marked "O"), custodian omnibus accounts (marked "K"), and segregated accounts for custodians' clients (marked "C"). Collateral is held in separate accounts, with cash collateral held on balance sheet in KACC's cash correspondent account with the NBK or foreign currency cash collateral held as USD in KACC's cash correspondent account with Citibank or Bank of New York Mellon. KACC conducts an automatic reconciliation with KCSD on a daily basis to ensure accuracy and integrity of account balances and transaction details, and also reconciles its cash collateral with settlement banks on a daily basis, following the receipt of cash statements from banks via SWIFT. The Securities Market Law prohibits KACC from using collateral for purposes other than default management, effectively preventing lending or misuse of client assets.		
Financial Risk Summary KACC has only been operating since September 2023, therefore, the financial year ending in December 2023 represents less than 4 months of activity. The 2022 financial year has some figures as the company had been set up, but there was not operating, as such, the figures for 2022 are negligible. KACC reported an acceptable profit for only a few months of operations. The CCP manages to maintain low expenses thanks to the shared services with KASE which are mainly paid for by the exchange. On the negative side, KACC has a limited scope of insurance coverage which only covers buildings and equipments but no policy covering any errors from employees nor any bad strategy decisions from the company.	A+	Positive

Operational Risk Summary KACC has defined Operational Risk as a risk of losses as a result of inadequate or insufficient internal processes, human resources and systems or external events, and is recognised as a core risk that it shall identify, manage and evaluate. KACC maintains a dedicated risk appetite, in addition to the risk appetite for the Group. The Internal Audit Department (IAD) has begun conducting audits of various departments. However, the size, experience and qualifications of the IAD are limited, and does not contain any IT expertise. Further, the external audit is limited to a financial audit only. KACC's Business Continuity Management Plan includes: two data centres in Almaty (primary and DR sites) and a third in Astana, a hot site at the NBRK, and annual training and testing for staff. The plan ensures minimal disruption in case of emergencies, such as loss of main office or communication channels. Key components include backup power, secure access, and redundant systems to maintain critical operations.	A+	Positive
Governance And Transparency Summary KACC governance arrangements and composition of the boards are clear and publicly available via the KACC website. KACC has a board of directors, which is a governing body, and a management board, which is a collegial executive body of the company. KACC discloses to its clearing members and other market participants, its rules, procedures, and policies on its website. These rules cover, among other things, governance issues, the rights and obligations of participants, procedures for handling risks, and fees for using its services. Also, news, press releases and important notices are posted on the website regularly.	A-	Stable

Role of the CCP

KASE Clearing Center ('KACC') JSC was registered on 21 June 2022, and is a 100% subsidiary of Kazakhstan Stock Exchange (KASE) JSC and began clearing operations for stock market transactions on 25 September 2023, with FX clearing commencing on 3 June 2024. KASE Clearing Center JSC (KACC) is a legal entity incorporated as a joint-stock company in accordance with the legislation of the Republic of Kazakhstan.

The main tasks of KACC in performing the role of a Central Counterparty (CCP) are to intermediate credit risk between trading members on the cleared markets, reduce possible losses by limiting the level of accepted risks in all segments of the financial market, and assume the risks of non-performance by the clearing participants (CP) utilising the accumulated financial resources from clearing participants and own funds.

KACC provides CCP services to 57 clearing participants, including 31 in the foreign exchange market, 44 in the stock market, and 18 in the derivatives market. Clearing services are provided for 1,426 financial instruments, including 885 stock market instruments, 22 currency market instruments, 499 money market instruments and 20 derivatives market instruments.

Oversight of KACC is carried out by the Agency of the Republic of Kazakhstan for Regulation and Development of the

Financial Market ('ARDFM') and the National Bank of the Republic of Kazakhstan ('NBRK'). The activities of the Clearing Centre are provided for by the Acts of the Republic of Kazakhstan, in particular, "On the Securities Market", "On Joint-Stock Companies", "On Banks and Banking Activities in the Republic of Kazakhstan" and regulatory legal acts of the NBRK and ARDFM.

Product Overview

	Products
Stock Market	Equities, Bonds, ETFs, Investment Funds
Money Market	Repo operations, Currency Swaps
FX market	Spot Operations
Derivatives	Currency Futures, Equity Futures, KASE Index Futures

Venue Overview

	Products	Volume	Volume Growth
Securities market	Stocks, debt securities, funds	KZT 10,923.6 billion	-
FX market	Spot FX	KZT 29,710.7 billion	-
Money market	Repo, currency swaps	KZT 370,075.4 billion	-
Derivatives	Currency Futures, Equity Futures, KASE Index Futures	KZT 29.4 billion	-
Comments	As at end 2023		

Margin and Default Fund

	Default Fund	Initial Margin	Default Fund/Initial Margin %
All markets	KZT 1,963,067,000 (guarantee and reserve fund)	KZT 62,659,385,000	3.13%
Comments	As at end 2023		

Legislation And Regulation

Legislation And Regulation Summary

KACC's central counterparty and clearing services in Kazakhstan are governed by a combination of laws and regulations, including the Securities Market Law (‘SML’), CA Implementation Rules, and Resolutions from the National Bank of the Republic of Kazakhstan. KACC holds a licence to carry out securities market activities and has a limited banking licence. The Clearing Rules govern the interaction between KACC and its participants and are legally enforceable by provision from the Securities. The legal framework provides for payment finality, transfer of obligations to KACC, it’s rights over collateral, and protection of client assets in case of insolvency. However, portability is not explicitly defined in law, and KACC relies on interpretation of general property rights to ensure finality of asset transfer.

The development of KACC’s Clearing Rules involves internal review by various departments and clearing participants to ensure transparency and alignment with Kazakhstan regulations. Although ARDFM doesn't directly review KACC's rulebook, it has indirect oversight through its representative on the KASE board and receives notifications of changes or additions within ten business days. KACC clearly communicates the legal framework governing its activities to regulatory authorities, clearing participants, and other stakeholders through various channels including its website and bilateral communication. KACC only provides clearing in the Kazakhstan market so is not subject to conflicts of law across multiple jurisdictions, and has a high degree of confidence with the legal enforceability of its actions in Kazakhstan.

CCP Establishment and Operation (Home Jurisdiction)

The rights, obligations and capabilities of KACC to provide central counterparty and clearing services in the Kazakhstan market are governed by a combination of: The Law of the Republic of Kazakhstan "On the Securities Market" (‘Securities Market Law’); the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated October 29, 2018 No254 ‘On Approval of the Rules for Clearing Activities on Transactions with Financial Instruments’ (‘CA Implementation Rules 254’); the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated February 24, 2012 No. 59 ‘On Approval of the Requirements for the Risk Management System of a Clearing House, the Conditions and Procedure for Monitoring, Control and Management of Risks in a Clearing House’ (‘NBRK Resolution 59’); and the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated January 28, 2016 No 11 ‘On Approval of the Requirements for the Central Counterparty Risk Management System, Conditions and Procedure for Monitoring, Control and Management of Central Counterparty Risks’ (‘NBRK Resolution 11’).

KACC was granted a licence 3.1.8.2 by the ARDFM to carry out activities in the securities market on July 21, 2023, effectively providing the basis for the company to carry out the clearing of transactions in financial instruments. KACC also holds a limited banking licence allowing it to:

• open and maintain correspondent accounts of banks and organisations conducting certain banking transactions;
• remit payments and money transfers for individuals or legal entities;
• open and maintain bank accounts of legal entities;
• exchange transactions with foreign currencies except for exchange transactions

with foreign currency in cash.

CCP Establishment and Operation (Foreign Jurisdiction)

KACC provides clearing services exclusively in the Kazakhstan capital market, and all its participants are obligated to comply with the requirements of the Securities Market Law (SML). In accordance with SML Article 77-3, the CA Implementation Rules have legal status and cannot be voided.

Contractual Relationships

Basis for Open Access

KACC, as a central counterparty, minimises its risks to its clearing participants through a combination of robust membership requirements and effective risk management practices. To become a clearing member, candidates must meet minimum eligibility criteria outlined in the Clearing Participant Regulation, which is publicly available on KACC's website. This regulation sets out the requirements for financial entities to be admitted as members, including being authorised and licensed by their relevant authority. KACC utilises the minimum capital requirement for members set by their relevant authority's determination.

Use of ISDA Contracts

KACC does not clear Over-The-Counter (OTC) derivatives contracts.

Contract Intervention

Articles 25-27 of the Clearing Rules describe the process for transfer of obligations, where claims and liabilities are calculated by the clearing house and transferred to the clearing organisation in real-time on a gross basis, although the ‘open offer’ mechanism used by KACC is not described.

Netting

Gross obligations of trading members are substituted by net obligations at the end of the trading session according to Article 25, Clause 2, providing a legal basis for net obligations replacing bilateral trading obligations.

Settlement Finality

The Law of the Republic of Kazakhstan "On Payments and Payment Systems" provides a framework for assuring finality of cash transfers in various aspects. Payment finality is governed by Article 7, which ensures that payments are considered complete (final) once the money is credited to the payment system participant in whose favour the payment was made. The operator of a systemically important payment system guarantees the completeness (finality) of payment and money transfer in real-time, ensuring immediate processing and execution of instructions (Clause 2).

Article 155 of the Civil Code of the Republic of Kazakhstan (General Part) states that transactions are deemed to have been made from the moment of registration, unless otherwise provided by legislative acts. Although not specific to securities transactions, this does form a basis of legal transfer of title through the registration process as a crucial step in ensuring finality, and a refusal to register can only be based on a violation of legal requirements. Article 36 of the SML describes how registration of equity securities is effected in the accounting systems of nominal holders and the system of register of securities (KCSD).

Default and Insolvency

In compliance with Article 96 of the Law "On Rehabilitation and Bankruptcy", debtor's property (owned by the debtor based on property right) will be included in a property mass. Under insolvency proceedings, custodian, or CSD recognised client assets are not included in the proprietary assets of the insolvent participant. The court has the power to freeze/free disputed assets held at the client level until resolution.

KACC’s rules and procedures outline specific circumstances under which it can declare a participant to be in either financial or operational default, as well as procedures for handling such defaults once declared. The standard procedures for handling settlements in the event of the default are clearly outlined in the publicly available document "Rules of Conduct for Clearing Activities under Transactions with Financial Instruments" on the KACC website. This document explains the circumstances in which action may be taken in case of default, the responsible people who may take those actions, the scope of the actions which may be taken, including the treatment of both proprietary and customer positions, funds and assets, as well as the mechanisms to address an FMI's obligations to non-defaulting participants.

Cases of default of the participant include:
• Default on net obligations, margin, or guarantee fee
• Loss of license or right to conduct transactions
• Appointment of temporary administration or bankruptcy procedures
• Repeated violation of settlement deadlines
• Failure to meet default fund contribution obligations.

In the event of a default by a participant, KACC has established comprehensive rules and procedures that empower it to take swift and decisive action against the defaulting entity. Specifically, these measures may include suspending the defaulting participant's trading and clearing activities, utilising their margin deposits, liquidating their positions, and intervening in their operations. The rules and procedures also provide detailed guidance on several key aspects of the default management process, including whether actions are automatic or discretionary, the order in which they will be taken, changes to the normal settlement process, the handling of transactions at various stages of processing, as well as the treatment of both proprietary and client transactions and accounts. Furthermore, these rules clearly define the roles and responsibilities of the defaulting participant, the non-defaulting participants, CCP itself and the regulators.

In order to ensure that losses resulting from a default are promptly covered, KACC has access to several financial resources, including the defaulter's margin, their default fund contributions, the default fund contributions of non-defaulting participants, and KACC's own funds. The rules and procedures specify the precise order in which these financial resources may be utilised. If the existing resources prove insufficient to cover all losses, a non-defaulting participant may be required to contribute an amount equal to their required contribution prior to the application, in order to replenish the fund. If the clearing member would like to resign from participation, there is no obligation to replenish the fund.

KACC undertakes an annual review and testing exercise of its default procedures, encompassing all relevant close-out procedures. This comprehensive evaluation process also takes place following any significant revisions to the governing rules and procedures, thereby guaranteeing that the organization's framework remains effective and aligned with evolving regulatory requirements. To inform these tests, KACC draws upon historical scenarios involving actual default events. The findings and outcomes from these testing exercises are subsequently shared with both the Board of Directors and the Risk Committee. The CCP also tests the implementation of the resolution regime for its participants.

Regulatory Framework

Regulatory Oversight of CCP

Regulation and oversight of KACC is carried out by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market ('ARDFM') and the National Bank of the Republic of Kazakhstan ('NBRK'). ARDFM conducts remote supervision of KACC on an ongoing basis, as well as unscheduled inspections. The ARDFM assesses compliance with the requirements of the SML, identifies and analyses existing and potential risks, and the potential impact to KACC. The regulator utilises monthly checklists with KPIs of KACC to identify factors affecting its financial performance.

The CCP submits regular reports to the ARDFM regarding daily net claims and net liabilities, monthly financial statements, semi-annual reports on compliance with AML and CTF laws and annual assessments on compliance with the risk management system requirements. KACC is also required to inform the ARDFM of employee changes. The regulatory monitoring is conducted in line with Law No. 474-II of 4 July 2003, and the requirements for KACC to provide timely responses to the ARDFM are established in the SML. ARDFM has not had to take any material action against KACC, the only measures applied were for violations of the deadlines for providing information.

CCP Oversight of Clearing Members

KACC is not recognised as a self-regulatory organization (SRO), but a clearing house as defined by the Securities Market Law. KACC collaborates with the national regulators to oversee its clearing members.

Regulatory Oversight of Related Parties

KACC utilises KCSD for safekeeping of securities collateral, and links to the CSD for final settlement of securities transactions which KACC clears. KCSD is regulated by the NBRK) and ARDFM in Kazakhstan. KCSD is recognised as a systemically important entity and counts on NBRK's explicit full financial support should the depository face any losses at any point in time. KCSD rules and licence allow the depository to operate as settlement bank for brokers conducting trades on foreign currency at Kazakhstan Stock Exchange (KASE).

Counterparty Risk

Counterparty Risk Summary

KACC sets uniform requirements for all its members and regularly re-evaluates their financial robustness. The CCP has an internal rating methodology that assigns grades to members depending on their creditworthiness. However, the CCP does not set any risk management or operational requirements. KACC does not have tiered participation arrangements in place.

KACC uses a pre-margining model, which requires clearing members to post collateral before entering into new transactions. This approach allows KACC to monitor and manage exposure to members throughout the day. The CCP will stop members from entering new transactions if they have insufficient collateral to cover the initial margin. The CCP recalculates critical risk parameters in the margin model on a daily basis and even intra-day if there is excessive volatility in the market. The CCP uses an Exponential Weighted Moving Averages VaR with the use of Monte Carlo simulations. The CCP calls and delivers variation margin once a day. KACC applies an anti-procyclicality stress buffer of 25% but does not use any other margin add-ons.

KACC maintains separate default funds for each market, comprising a guarantee fund made up of clearing members' contributions and a reserve fund made up of the CCP's own funds. In the event of a default, KACC follows a defaulter-pays-first principle, where the defaulting member's margins and default fund contributions are used first to cover losses. If these resources are insufficient, the CCP will use its skin-in-the-game (SITG), but only up to 25% of the reserve fund per clearing day. After the CCP's SITG, KACC will use non-defaulting members' guarantee fund contributions.

General Membership

Membership Categories

KACC’s Clearing Participant Regulation defines CPs as ‘professional participants on the securities market and other legal entities which, subject to the laws of the Republic of Kazakhstan, have the right to carry out transactions with financial instruments other than securities.’ CPs are assigned a status based on the market(s) they are operating in, such as the stock market, FX market and derivatives market. Further, the CP is assigned a category of either without collateral, with partial collateral or with full collateral, which determines the requirements to provide collateral for their obligations. Any change to a CP's status will be conducted by Management, based on information prepared by the relevant department regarding compliance of regulations and any additional information.

General Membership Requirements

The Securities Market Law (SML), Article 77-3, states that KACC’s rules will govern the interaction between KACC and its participants, the requirements for CPs to maintain financial stability, and the monitoring of the CP’s financial stability and the compliance with its rules. Both Article 77-3 of the SML and Resolution No.254 of the NBRK dated 29 October 2018 state that CPs shall provide KACC with the information necessary for their monitoring.

The regulation states CPs, depending on their assigned category, are required to:
1. Be a registered legal entity in Kazakhstan
2. Maintain accounting records and prepare financial statements subject to the requirements of international financial reporting standards and Law.
3. Comply with the equity capital adequacy standard established by Law.
4. Have a risk management system that meets requirements of the Law.
5. Have a valid licence or the right by law to conduct banking operations in national and/or foreign currencies, including to carry out transactions with foreign currencies.

6. Have a valid licence or the right provided for by Law to carry out brokerage and/or dealer activities in the securities market.
7. Ability to connect to the electronic document exchange system eTransfer.kz

The Law specifies the requirements that must be met for obtaining a licence, which differ based on the different member types. Accordingly, any members, both domestic and foreign, that have obtained a licence would have been approved by the ARDFM. For brokers, Resolution No.9 of the Board of the NBK dated 3 February 2014 states brokers must comply with the minimum capital/prudential requirements set by Resolution No.80 of 27 April 2018. Banks are required to comply with the minimum requirements set by Law No. 2444 of 31 August 1995 'About banks and banking activity in the Republic of Kazakhstan'. Further, Annex 2 of the Clearing Participant Regulation states the documents CPs are required to submit to KACC in order to prove their compliance with the requirements of Annex 1 and be approved as a CP. Article 4 of the Procedure For Evaluation of Financial Condition of Clearing Participants states that KACC will assign an initial rating to the prospective CP based on KACC's internal methodology for assessing financial stability. The methodology accounts for the participant type through differences in the capital adequacy requirements reflected in Annex 2 and Annex 3 of the Procedure for banks and brokers respectively. The evaluation includes assessing the prospective CP's financial statements, as well as a comparison against the financial statements of CPs within the same group. Once membership is approved, KACC conducts an ongoing monitoring, with the rating reviewed monthly for banks and quarterly for brokers.

Composition of Clearing Members

	Clearing Members	General Clearing Members	Individual/Direct Clearing Members	Non-Clearing Members
Stock market	43	-	-	-
FX	32	-	-	-
Derivatives	12	-	-	-

Credit Risk Management

The CCP has a documented Risk Management Policy which identifies several types of risks, including credit risk. KACC defines credit risk as the probability of losses due to a counterparty defaulting on, or delaying payments, or discharging financial obligations towards KACC. The CCP has a Market Risk Committee whose job is to analyse, monitor, identify and manage risks associated with the state of financial markets, activities of KACC, its clearing members, issuers and investors, as well as to prepare recommendations to the Management Board of the CCP.

The CCP has a documented procedure for the evaluation of the financial condition of clearing participants, which is used by the Market Risk Committee to produce an internal rating of each clearing member. Both financial and non-financial performance indicators are considered, as well as the expert opinion of the Market Risk Committee. For the financial indicators, the score is based on financial statements and other documents provided by the member to KACC for initial and ongoing assignment of the member's status. The rating is reviewed frequently, depending on the type of membership: banks are reviewed monthly, while brokers are reviewed quarterly. The CCP assigns a rating on a four-point scale, from A to D:

• A: maximum level of creditworthiness / financial reliability;
• B: high level of creditworthiness/financial reliability;
• C: moderate level of creditworthiness/financial reliability;
• D: unsatisfactory level of creditworthiness/financial reliability.

Any member below a D rating is considered as being in a default state or highly likely to fail.

The financial criteria which KACC takes into account to assign ratings to banks include:

• Equity capital adequacy ratios;
• Current liquidity ratio;
• Quick ratio;
• Liquidity coverage;
• Net sable funding ratio;
• Return on assets
• Non-performing loan provisioning coverage ratio;
• Credit portfolio
• Size of assets and capital.

For brokers, KACC looks at the following indicators:

• Equity capital adequacy ratio;
• Liquidity ratio;
• Asset profitability ratio;
• Size of assets and capital;
• Return on equity.

The Market Risk Committee will also form an expert evaluation, taking into account non-financial indicators such as ownership structure, size structure of customer base, organisation of a risk management system, sanctions, political risks, and others.

Members must have at least a level 'C' rating to be able to participate in clearing operations with partial collateral. If a member is assigned a rating less than 'C', the CCP may impose limits on transactions, or ask the member to fully collateralise its positions, or suspend the member if it is found to be in default.

To further manage credit risk stemming from members, the CCP applies the principle of 'delivery against payment', makes preliminary checks of collateral sufficiency before allowing members to enter into transactions (pre-order validation), sets limits (risk parameters) under financial instruments, collect initial and variation margin, performs regular stress and back testing, and maintains clearing reserve funds for all cleared markets.

Margins

Margining

KACC's margining model is a value-at-risk (VaR) model that applies Exponential Weighted Moving Averages (EWMA) and the Standard Deviation method. The CCP makes volatility estimations by forming samples of price deviations whose values are calculated with the use of probabilistic Monte Carlo simulations for a specified historical period.

KACC applies the same margin model in all the markets it clears: stock exchange, currency, and derivatives. For each individual market, the CCP determines different risk parameters depending on the nature of the financial instruments that are cleared. The CCP follows a different approach in determining the margin level for each market:
• on the stock market, the financial instruments are divided into groups depending on the parameters of the securities;
• on the foreign exchange market, currencies are grouped in accordance with currency pairs; and
• on the futures market, the characteristics of the underlying asset are considered.

Settlement risk parameters are recalculated every business day or even intra-day in case of volatile market conditions. The model takes into account price fluctuations, liquidity, and the structure of each cleared financial instruments while also estimating possible losses.

The Market Risk Committee, an executive board committee, is responsible for determining and revising the fundamental parameters of the model, which include the following:
• Confidence levels;
• Historical lookback period
• Risk assessment horizon
• Concentration coefficients.

The CCP has a documented methodology for the determination of risk parameters of financial instruments in all cleared markets. Settlement risk parameters are recalculated every business day or even intra-day in case of volatile market conditions. All risk parameters are reviewed and revised at least once a quarter, while the entire methodology of risk parameters calculation is reviewed at least once every three years.

Variation Margin

KACC calculates and collects variation margin on a daily basis. The CCP runs a mark-to-market session at the beginning of the clearing day; the resulting margin calls must be eliminated by the clearing member before 2.00pm (local time) of the current clearing day. If the member fails to meet its margin call requirement, it shall be recognised as insolvent according to the Clearing Rules.

KACC would normally use estimated prices according to its documented methodology of risk parameters calculation and methodology for determination of settlement prices of securities. Data for the determination of prices will be sourced from Bloomberg and KASE's trading system.

If there is insufficient data to determine reliable prices, KACC may look back at 90 days of historical price data. For bonds, a theoretical price can be used, while for very illiquid equities, KACC may look into IPO data if historical prices are missing or not reliable.

Variation Margin Parameters

	Basis	Source and Timing for Daily Settlement Price
Stock Market	Marked-to-market	KASE; Bloomberg; Internal Methodology Beginning of clearing day: 9.00am
Currency	Marked-to-market	KASE; Bloomberg; Internal Methodology Beginning of clearing day: 9.00am
Derivatives	Marked-to-market	KASE; Bloomberg; Internal Methodology End of clearing day: 9.00pm

Initial Margin

KACC's model is based on a pre-margining principle. The CCP determines the initial margin based on the market value of the collateral that the clearing member has posted. The CCP will calculate for each member a 'single limit', i.e. a value that measures the sufficiency of the collateral on the trading and clearing account, whether own or client, of the clearing member on the foreign exchange and/or the stock market. The CCP uses a similar concept of 'security deposit' in the derivatives market, which effectively works in the same way. The maintenance of the single limit is a prerequisite for submitting orders and entering transactions. The single limit is calculated when submitting orders, concluding trades, fulfilling/terminating obligations and requirements, posting/returning collateral, changing the risk parameters of financial instruments. The members can send buy or sell instructions only within this limit. The member would need to provide sufficient collateral from the T+ Collateral List of eligible assets to increase their initial margin value and proceed with the transaction.

The main approach used in the model is the search for the worst-case scenario. The scenarios used in the margining model are calibrated on historical data, with a lookback period of one (1) year, and a single-tailed confidence level of over 99%, namely 99.87%. In order to perform volatility calculations, the CCP groups securities together so that there is sufficient data to run scenarios. There is insufficient data from the time prior to the introduction of a CCP in 2020 and generally the CCP will not take into account trades before 2020 if they do not have valuation for more than five (5) consecutive days.
The model is based on the following assumptions:
• Potential future positions are the result of possible price fluctuations leading to revaluation of the positions of the clearing participants;
• Losses due to price fluctuations during the liquidation period in the event of a clearing participant's default should be covered from the participant's collateral as a first layer of protection under normal market conditions.

The close-out period for each instrument is determined by taking into account the liquidity level, possible outflow of liquidity, impact of market conditions, potential adverse impact on prices from liquidation of large positions, as well as the range of possible hedging instruments in general. The CCP sets a risk assessment horizon of two (2) trading in all markets, for liquidations below the value of the concentration limit set for each instrument. However, where the need for liquidity to liquidate large positions is significant, the CCP uses a risk assessment horizon of five (5) trading days in case concentration limits are exceeded. The limits and the risk parameters are determined based on the assumption that positions are gradually closed over a longer period of time in order to avoid significant changes in the price of the relevant financial instrument. Generally, the CCP’s goal in selecting the optimal liquidation strategy, considering the liquidity structure of the instruments and the hedging effect within the defaulting member’s portfolio, is to minimise losses.

Initial Margin Parameters

	Close Out Period	Unit of Risk	Price Series	Calculation Basis	Confidence Level	Margin Algorithm	Client Margining
Stock Market	2 days (highly liquid) 5 days (less liquid)	-	1 year	Historical simulation with volatility scaling	99.87%	VaR	-
Currency	2 days (highly liquid) 5 days (less liquid)	-	1 year	Historical simulation with volatility scaling	99.87%	VaR	-
Derivatives	2 days (highly liquid) 5 days (less liquid)	-	1 year	Historical simulation with volatility scaling	99.87%	VaR	-

Margin Offsets

KACC does not apply any margin offsets.

Margin Adjustments

KACC uses a procyclicality buffer. The initial margin rate is calculated as 75% of the traditional initial margin and an additional 25% stress buffer is added in case a member's collateral is not enough to cover potential stress loss.

KACC does not apply any other margin adjustments in the form of margin add-ons. The CCP has plans to introduce a wrong way risk add-on in 2025.

Interoperability Margins

KACC does not interoperate with any other CCP.

Margin Calls

KACC marks to market open positions and determines margin requirements once during the clearing day in all markets.

The CCP runs a mark-to-market clearing session at 9.00am for the stock market and currency markets. Clearing members receive a margin call at the end of the session and they must cover the margin requirement by 2.00pm on the same clearing day.

For the derivatives market, the CCP calculates the required margin at the end of the clearing day by 9.00pm. Clearing members have to meet the margin requirement by 1.00pm next day, when the clearing day starts.

Because of the CCP's pre-margining procedure, KACC monitors members' activity constantly during the day and recalculates the single limit in real time. If the single limit turns negative due to the member entering new transactions without having sufficient collateral, the CCP will issue a margin call to ensure that the single limit turns positive again and will stop the member's activity until the margin is covered. Therefore, the CCP will issue intra-day calls depending on the activity of the member. In addition, if there is a deterioration in the market, the CCP will recalculate the risk parameters of the margin model and ask for additional collateral if the single limit is negatively impacted.

Margin Calls Structure

Initial margin	Upon member entering/exiting transactions/contracts
Variation margin - stock market and currency	Calculated 9.00 am on clearing day, called by 2.00pm same clearing day
Variation margin - derivatives	Calculated 9.00pm on clearing day, called by 1.00pm next clearing day

Acceptable Collateral for Margin Call

Initial and Variation Margin	• Cash • Government securities • Domestic shares • Foreign shares

Acceptable Currencies for Margin Call

	Payment Method
KZT	Central bank money
USD	Commercial bank money

Exposure Monitoring

Due to the use of the pre-margining model, the CCP monitors exposure to members constantly throughout the day. If the clearing member has not posted sufficient collateral, the CCP will prohibit the member from entering into new transactions until the lack of collateral is eliminated, unless the new transaction reduces the collateral requirement. At the start of the clearing session, the CCP will issue a margin call to the member to cover the shortfall within a clearly defined timeline.

Default Fund and Waterfall

KACC has established separate default funds for each cleared market. Both the CCP and the participants contribute to the default fund and the contributions are fully funded in either cash or securities. The default waterfall follows the 'defaulter-pays-first' principle, in line with international best practices, and there is a clearly documented procedure for the sequence of events and utilisation of the waterfall upon a member's default, as well as for the replenishment of funds.

Description of the funds

The CCP maintains separate, ring-fenced default funds for each cleared market. Each default fund comprises two funds:

• The guarantee fund, which is made up of the clearing members’ contributions, and
• The reserve fund, which is made up of the CCP’s own funds, i.e. it is the CCP’s skin-in-the-game (SITG).

The size of the reserve fund can range between 8% to 50% of the overall default fund. For its first year of operaiton, the CCP opted to apply the maximum percentage and split the size of the default fund equally between the guarantee fund and the reserve fund.

Default Fund - Overview

	Size	Dedicated Resources for Product Group	Accepted Collateral	Funding
Stock market	-	-	• Cash • Government securities • Domestic shares • Foreign shares	Fully funded
Currency	-	-	• Cash • Government securities • Domestic shares • Foreign shares	Fully funded
Derivatives	-	-	• Cash • Government securities • Domestic shares • Foreign shares	Fully funded

Calculation of default fund

The CCP calculates and resizes the default fund annually, at the beginning of the calendar year. The CCP takes into account several risk factors and evaluates the guarantee fund and the size of the reserve fund for each market separately. The calculation of the default fund is based on the uncovered losses the CCP would face by all members.

Currently, the CCP does not calculate individualised contributions per clearing members. Instead, it has set a fixed contribution for all members which varies by membership type: banks contribute KZT 30 million, while brokers have to contribute KZT 5 million. Any amount difference between the calculated default fund size and the guarantee fund size is covered by the CCP in the reserve fund.

The Management Board can make an unscheduled evaluation of sufficiency of sizes of the guarantee funds based on the recommendation of the Market Risk Committee if there is a significant increase in price volatility and/or decrease in liquidity of instruments in the T+ list, or a significant increase in concentration of net positions of the clearing participants, or in other cases as determined by the Management Board.

Default Fund - Contribution Calculation

	Distribution Algorithm	Distribution Observation Period	Distribution Frequency	Minimum Contribution	Replenishment / Limits on Liability	Contingent Contributions
Stock market	-	-	Annual	KZT 30 million (banks) KZT 5 million (brokers)	Up to 6 times per clearing year	-
Currency	-	-	Annual	KZT 30 million (banks) KZT 5 million (brokers)	Up to 6 times per clearing year	-
Derivatives	-	-	Annual	KZT 30 million (banks) KZT 5 million (brokers)	Up to 6 times per clearing year	-

Declaration of a default

The CCP has the authority to declare a member as ‘mala fide’ (in default) or as insolvent.

Generally, a member will be declared as mala fide if they are unable to settle their obligations due to lack of assets, in which case the CCP will enter into repo agreements with the mala fide member for a maximum of two days in order to facilitate settlement of obligations.

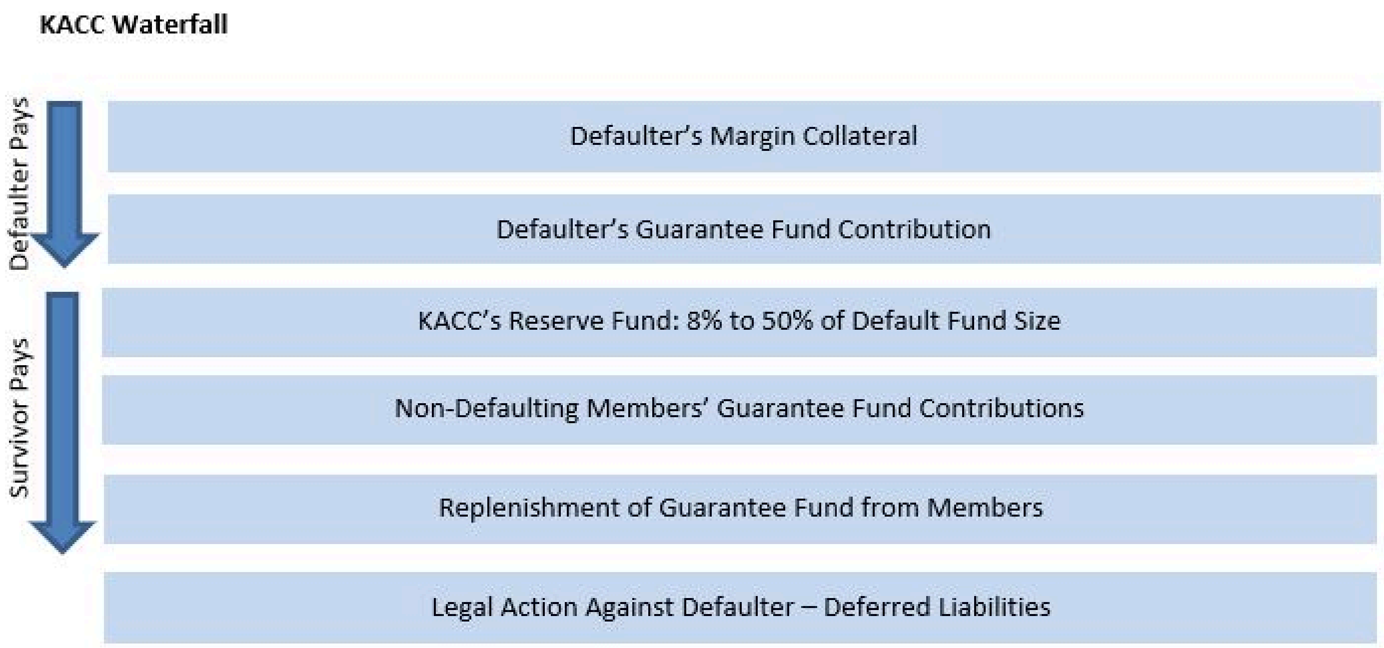
If the member is still unable to cover its net obligations after the grace period, or is unable to meet its margin and guarantee fund obligations, it will be declared as insolvent by the Management Board. Additionally, the member will be declared as insolvent if it loses its operating licence, or is placed in administration, or declared bankrupt by the relevant authorities. In addition, if a member’s client is included in a list of persons involved in terrorist activities or associated with financing of terrorism, the CCP can exclude the member from clearing operations.

Waterfall

KACC has set up its default waterfall in line with international best practices. KACC's default waterfall follows a defaulter-payσ-first principle, whereby, the defaulting member's margins and default fund contributions will be used first to cover losses. Next, the CCP will make use of its SITG, but only up to 25% of the reserve fund per clearing day. After the CCP's SITG, KACC will use the non-defaulting member's guarantee fund contributions. The CCP can ask surviving members to replenish the fund up to six times in each clearing year, in the amount of their original contribution.

The CCP has the right to open judicial proceedings against the defaulting member to try to recoup any losses in full. The CCP declares any uncovered losses at the end of the waterfall as deferred obligations towards non-defaulting members. The CCP distributes any funds that it manages to recoup back to surviving members.

Waterfall Illustration



Resolution Management

The CCP does not have a recovery and resolution plan in place, although it has plans to introduce one in the coming years.

Delivery

Physical Delivery Fails Management

The CCP does not clear contracts that require physical delivery.

Treasury & Liquidity Risk

Treasury & Liquidity Risk Summary

KACC manages its treasury and liquidity risk mainly via an active reverse repo market which provides additional resources when required. Additional risk mitigators include using the central bank for KZT deposits, employing strongly rated banks for foreign currencies, and maintaining a low-risk investment strategy in short-term bonds. Nevertheless, KACC over relies on single banks for most foreign currencies and does not currently have any formal credit lines in place. In addition, stress testing could be enhanced by adding hypothetical scenarios in the analysis.

KACC accepts both cash and securities as collateral but does not set a minimum level of cash margin thus potentially allowing members to fully collateralise by using securities. The CCP has full use of the collateral it takes and eligible instruments only include securities that can also be traded in KASE. The CCP monitors regularly the creditworthiness of issuers and sets haircuts based on volatility estimations.

Treasury Operations

Concentration and Payment Bank Exposure

KACC uses 7 banks for its clearing operations: the central bank for KZT, Citibank and BNYM for USD, Citibank Europe for Euro, ICBC for CNY and Interstate Bank and the Eurasian Development Bank for RUB. As a result, there is no alternative banks for EUR and CNY which means the exposure is concentrated on one bank.

Even for currencies where there are 2 banks used, the liquidity is mainly concentrated on one particular bank (i.e. Citibank for USD and Eurasian Development Banks for RUB)

Cash Investment

From the cash collateral that is managed by KACC, less than 10% is invested in securities, meaning that KACC maintains a high level of cash which would be readily available in the even of a stress scenario.

KACC mainly invests in Kazakh government notes which is relatively safe as the sovereign rating of Kazakhstan is currently BBB-.

Margins and default fund

KACC accepts both local and foreign currency as collateral, and similarly for securities, it accepts both domestic government securities and foreign shares.

The CCP holds foreign currency in correspondent banks that have been deemed to be financially reliable, i.e. they have a credit rating of investment grade. According to internal rules, KACC will use correspondent accounts in tenge and foreign currencies in the National Bank and in correspondent banks. KACC will hold foreign currency accounts in the National Bank as reserve correspondent accounts in case the CCP is unable to carry out transactions in foreign currencies through correspondent banks. Correspondent accounts are opened based on the relevant decisions of the Management Board of KACC as established by the internal document for the "Procedure for review and monitoring of correspondent banks of the Clearing Center".

KACC holds foreign securities posted as collateral in omnibus accounts at the ICSDs (Euroclear Bank / Clearstream Banking) held through KCSD (the Kazakhstan CSD) on behalf of clients.

Domestic securities are held with KCSD.

Collateral

KACC maintains two lists of eligible instruments, one for trading purposes (T+ list) and one for collateral purposes (T+ collateral list). KACC has a documented procedure for the inclusion of financial instruments in the T+ and T+ Collateral lists. The procedure clearly articulates the requirements for inclusion of financial instruments and sets out the criteria for each type of eligible instrument. The specific criteria vary depending on the nature of instrument, but generally will include:

• The issuer's creditworthiness, which is determined by KACC's internal "Methodology for Assessing the Risk Level of Issuers of Securities Accepted for Clearing Services by the Clearing Centre". The methodology considers several financial parameters (such as EBITDA, cash flow from operating activities, total debt, credit obligations, current liabilities) to divide issuers into different reliability groups. Generally, KACC will accept collateral issued by entities with the highest, high, or above average level of reliability. An above average level of reliability will include securities issued by issuers that have a rating that is not lower than "BB-" on the Standard & Poor's scale or a similar level on the Moody's Investors Service or Fitch scale.
• Liquidity requirements.
• Volume requirements.

According to KACC's rules, an indicative structure of the T+ lists is determined in a way as to achieve a balanced composition of financial instruments that minimises the market and credit risk of the CCP. Securities that cause discrepancies between the actual and indicative lists are not immediately allowed and have to be reviewed by the Market Risk Committee.

KACC has defined a procedure for the monitoring of the T+ lists by the responsible subdivision, which includes analysis of ongoing compliance with the applicable conditions and requirements, comparison of the actual structure with the indicative structure, and preparation of recommendations. The lists are reviewed at least once every quarter. Based on results of the analysis, the authorised subdivision prepares recommendations to the Market Risk Committee regarding the suspension of inclusion of financial instruments of a certain type and/or issuer, and/or denominated in a certain currency in the T+ lists, the need to apply enhanced coefficients to the calculated values of market risk rates with respect to individual financial instruments, and excluding certain instruments from the lists, taking into account the recommendation of the subdivision responsible for liquidity management.

A failure by the issuer of securities to discharge its obligations to holders of its securities, or receipt of information indicating a deterioration in the financial condition of the issuer, are grounds for exclusion of the securities from the lists. Similarly, if the issuer fails to meet its obligations regarding the disclosure of information on planned changes to prospectuses or other documents, or about corporate events. Finally, significant changes in the market conditions and to the prices of financial instruments, as well as an increase in market volatility, are factors for exclusion from the lists.

Eligible Collateral Overview

T+ Collateral

Eligible Collateral

KACC accepts as collateral both cash and securities. KACC accepts KZT and USD currencies for cash collateral, while for securities, the CCP maintains a list of primarily Kazakhstan government securities, but also foreign blue chip companies.

KACC maintains two lists of eligible instruments:
• the 'T+ List', a list of financial instruments that are admitted to transactions with KACC; and
• the 'T+ Collateral List', a list of eligible financial instruments that can be used as collateral by clearing members who are subject to a partial collateral requirement.

KACC will accept only instruments that are included in the T+ Collateral List as collateral, and the T+ Collateral List can include only instruments from the T+ List. The T+ Collateral List may include government securities of the Republic of Kazakhstan, foreign government securities, securities of international financial organisations, shares listed in KASE, securities of the quasi-public sector, non-government bonds, and currencies.

All financial instruments are included in and excluded from the lists based on the decision of the Market Risk Committee (except in very specific cases stipulated in the CCP's procedure). Financial instruments that do not meet KACC's requirements for inclusion in the lists can be included only by increasing the coefficients that apply to calculated values of market risk rates.

Haircuts

KACC calculates collateral haircuts on a daily basis. The calculation of haircuts, which in KACC's documents are referred to as initial margin rates (IMR), is detailed in the internal document for the determination of risk parameters. IMRs are calculated for all securities included in the T+ list for all cleared markets. Securities that are not included in the T+ list will be assigned a limiting maximum and minimum initial margin rate of 100%. The daily calculation of IMR is primarily based on an assessment of price volatility, as well as established minimum and maximum market and interest risk rates, depending on the cleared market.

In calculating IMR, the CCP uses a lookback period of one year and a confidence level of 99%. However, the CCP does not include data from black swan events or other periods of stressed market conditions. Nevertheless, the CCP calculates IMRs conservatively, with domestic government bonds having the lowest haircut values while other instruments, such as equities, have progressively higher haircut rates depending on historic volatility and maturity of the instrument. The CCP uses a 2-day liquidation period (risk assessment horizon) across markets.

KACC applies concentration limits for each financial instrument that is accepted as collateral. The purpose of the concentration limit is to assess the maximum position of a clearing member in a certain financial instrument that can be liquidated within the risk assessment horizon without causing significant impact on the price of the financial instrument. It represents the value determined in the amount of the financial instrument.

KACC applies two separate risk rates in relation to the concentration limits that determine the market risk for each instrument: the initial margin rate (IMR) and the concentration rate (CR).

The initial margin rate of a financial instrument is determined to assess the market risk of the net position opened for a financial instrument in an amount less than the concentration limit value for the specified financial instrument.

The concentration rate of a financial instrument is determined to assess the market risk of the net position opened for a financial instrument in an amount not less than the concentration limit value for the specified financial instrument.

Breakdown of Haircuts

IMR & CR

Liens and Legal Title to Collateral

Article 37 of the Securities Market Law ('SML') describes the registration of pledge of rights to securities is from pledgors to pledgees. Article 51, 14.6 grants the central counterparty "full use" of collateral posted for clearing activities including margin contributions and contributions to the guarantee funds according to the regulations,laws and the internal documents of the central counterparty.

KACC has Rules of Conduct of Clearing Activities under transactions with financial instruments which describes how collateral/margin is used for both making trades and default management. KACC can use collateral as described in the default management procedures in case of failed trades (collateral is used to settle trade with conscientious side of trade (side which fulfilled his obligations)) and in case Managing Board acknowledged clearing member/client insolvent and his positions are liquidated. Default management procedures are described in Rules of conduct of clearing activities under transactions with financial instruments. Clearing members are not allowed to take a lien on clients' assets or use them in any other way by the Securities Market Law.

Collateral Controls

The Securities Market Law provides KACC with full control of all collateral posted. The CCP has full access and use of posted collateral and it is bankruptcy remote from clearing members. The CCP has an irrevocable control of assets, remote even from judicial action. The only instance where the CCP may be unable to immediately use collateral assets is if the member has been declared insolvent because of anti-money-laundering violations, in which case the assets will be frozen.

Collateral Management

KACC's collateral management system is built in the CCP's trading and clearing system, which in turn is integrated in the risk management system. Clearing members can see online the amount, type and value of posted collateral and can use the system to enter deposit, withdrawal and transfer requests. The system enables KACC to monitor and change haircuts and concentration limits, calculate collateral requirements, mark-to-market collateral every morning, as well as monitor ownership and legal title to the collateral, whether it is cash kept in correspondent bank accounts or securities held at CSDs. The system allows accounting for collateral both on own and client accounts (omnibus and segregated) and the same accounts where the collateral is recorded are used for deliveries under contracts, which gives additional flexibility to clearing members. The system allows for the ongoing monitoring of collateral, taking into account changes in market conditions or the positions of clearing members immediately. The collateral adequacy checks are carried out by evaluating the collateral of current positions and active orders.

CCP Liquidity Management

KACC continuously monitors the trading activity of its members in real time which enables the treasury department to analyse cash flows and the required initial margin amount.

The CCP maintains liquid resources to cover at least the default of the two largest participants that would generate the largest payment obligation in extreme but plausible market conditions. The level of liquid resources is measured on a daily basis.

In terms of its liquidity needs, although KACC does not have any credit lines in place, it benefits from liquidity resource from the active reverse repo market.

For liquid resources provided by commercial banks, i.e. for foreign currencies only, KACC uses the credit rating of the banks as well as review their key data, such as current assets and financial stability, to assess each providers. In addition, the CCP has developed an internal rating model using A, B, C, D grades to assess its liquidity providers. This has proved to be useful if a bank is not rated by any of the 3 main credit rating agencies.

As per the resources which are in the form of collateral, those can be readily available as it typically takes less than a day to convert the collateral into cash. However, although it's currently infrequent, converting collateral from ICSDs (e.g.

Euroclear) would likely take longer.

KACC conducts stress testing of its liquid resources on a quarterly basis using 5 years of historical data for stock market instrument and 2 years for currency instruments. The degree of confidence of the test is 99%, however, there are no hypothetical scenarios used for the test nor any black swan events.

Member Liquidity Management

As KACC uses a pre-margin model, clearing members have to deposit cash on KACC correspondent account if they want to trade. As such, their balance is visible in the trading-clearing system. Both clearing member and KACC see this balance and understand whether clearing member has sufficient cash to settle a trade.

Cash balances are updated automatically after every trade, as such members' resources are monitored intraday. As the member's single limits are calculated in the morning, margin calls have to be filled by 10am,

After 10am, the system monitors in real-time the single limit after any trade. As such, the system can trigger automatically any potential new margin call even after 10am.

Asset Safety Risk

Asset Safety Risk Summary

KACC has implemented various measures which collectively contribute to a robust framework for asset safety, KACC segregates its own positions from those of its clearing members and clients' assets are segregated from their brokers'/dealers' assets, in accordance with Article 45.5 of the Securities Market Law. KACC offers different account structures, including segregated client accounts (marked "I"), omnibus client accounts (marked "O"), custodian omnibus accounts (marked "K"), and segregated accounts for custodians' clients (marked "C"). Collateral is held in separate accounts, with cash collateral held on balance sheet in KACC's cash correspondent account with the NBK or foreign currency cash collateral held as USD in KACC's cash correspondent account with Citibank or Bank of New York Mellon.

KACC conducts an automatic reconciliation with KCSD on a daily basis to ensure accuracy and integrity of account balances and transaction details, and also reconciles its cash collateral with settlement banks on a daily basis, following the receipt of cash statements from banks via SWIFT. The Securities Market Law prohibits KACC from using collateral for purposes other than default management, effectively preventing lending or misuse of client assets.

Account Structure, Position and Margin Netting

Permissable account structures and the account opening process are described in the Procedure for Opening, Maintaining and Closing of Trading and Clearing accounts. KACC allows for:

• Accounts for clearing member proprietary assets (marked “S”) - 57 accounts in KACC books.
• Segregated client accounts (marked “I”) - 678,615 accounts.
• Omnibus client accounts (marked “O”) - 8 accounts.
• Custodian omnibus accounts (marked “K”) - 9 accounts.
• Segregated accounts for custodians clients' (marked “C”). - 351 accounts.

Out of the 3 million securities accounts KACD operates which are also used to hold collateral, about 2.3 million are in omnibus form but with sub-accounting facilities that can be used to identify participant clients.

Account Structure

	House	Omnibus Client Account	Segregated Affiliates / Group Account	Individual Segregated Account	Customer Hedge Account	Customer Speculation Account	Segregated NCM Account
-	57	17	-	678,966	-	-	-

Compression Ratios

Collateral Segregation

The obligation for KACC to segregate their positions from those of its clearing members, and for professional participants in the securities market including clearing and trading members to segregate their assets from their client assets are stated in Article 45.5 of the Securities Market Law ('SML'). This requirement is the same for both local and foreign incorporated participants. Furthermore, Article 64.2.2 of the SML defines the rights to the segregated assets, stating that the ‘broker and/or dealer shall not have the right to use the money, securities and derivative financial instruments of their clients, located in the broker's accounts, in their own interests or in the interests of third parties’. There is no conflict of domestic laws around use and segregation of collateral, and KACC does not currently operate in other jurisdictions.

KACC's Clearing Participant Regulation (Chapter 5, Article 13) mandates CPs to comply with the Laws of the Republic of Kazakhstan and this is contractually bound by the Clearing Service Agreement with CPs. KACC allows for individual segregation as well as omnibus accounts, but mandates that the clearing member's assets must always be segregated from that of its clients. Collateral held in omnibus accounts is not tagged. Collateral held by the CP and its clients are segregated through separate accounts. However, there is no segregation between the client's position and collateral as these are all held in the same account. Within the five account structures listed above, CPs will have accounts for cash and securities, with the latter separated between trades linked to KASE and repos respectively as stated in Article 4.1 of the same Procedure.

Portability of Positions

Portability is not explicitly defined in Law and KACC does not maintain internal rules and policies regarding portability, but does maintain procedures which allow participants to transfer assets and obligations from the CSD account of one clearing member to the CSD account of another clearing member. KACC is reliant on the legal requirement stated in the Rules of Broker and Dealer Activity, which ensures the suspended or terminated broker will transfer its assets.

In the Kazakh securities market, portability is conducted by the CP who requests the transfer of assets to another CP via KCSD, who subsequently requests KACC to conduct the porting of positions. There is no requirement in the market to have such portability arrangements set in place before trading, so the replacement CP can only be appointed after the default has been declared. It is the responsibility of the defaulting CP to contact KCSD with the request. KACC has no line of sight over such arrangements, and therefore simply follows KCSD's instructions. In both the FX and derivatives markets, if a default occurs, portability is not applicable as KACC is unable to identify the client, so the position would need to be closed out. KACC is unable to accept any standing instructions for a replacement CP due to the lack of oversight it has over the process, and therefore will only follow KCSD instructions.

Resolution No. 254 of the NBRK Board dated 29 October 2018 (Chapter 2, Paragraph 10) asserts that the ARDFM will notify KACC of the termination of a CP's license, and KACC will not provide services to such CP from the receipt of notice, with the exception of the cases in Paragraph 43 of the Rules of Broker and Dealer Activity and Article 48-1, Paragraph 1.9 and Article 51, Paragraph 6 of the Law 'On Banks and Banking Activities in the Republic of Kazakhstan' dated 31 August 1995. Following the revocation of its license, the CP is legally required to transfer assets within 30 days of the receipt of notification from the ARDFM, either on the basis of the client's order to KCSD or based on a new agreement to a new broker/dealer.

Custody and Network Exposure

Securities collateral for both margin and default fund contributions is held in the clearing member's/client's account with KCSD only and is not held by any custodians.

KZT cash collateral for both margin and default fund contributions is held on balance sheet in KACC's cash correspondent account with the NBK and foreign currency cash collateral is held as USD in KACC's cash correspondent account with either Citibank or Bank of New York Mellon.

Stock Lending

The Securities Market Law and the Law and the Rules of Conduct of Clearing Activities Under Transactions With Financial Instruments state collateral can only be used for default management purposes by KACC. As such, KACC is not permitted to lend collateral.

Reconciliation

KACC conducts an automatic reconciliation with KCSD on a daily basis, based on the report received by file transfer from KCSD detailing the number of accounts, account balances and individual transaction details. Clearing Participants can view their balances and transfers via the online KASE trading system and also receive reports from KCSD on an end of day basis.

The reconciliation of cash collateral with settlement banks is conducted automatically by KACC on a daily basis, following the receipt of cash statements from banks via SWIFT at the end of the day.

In the event of a reconciliation break with KCSD or a settlement bank, KACC will investigate the cause of the break and conduct the reconciliation in the morning, prior to the mark-to-market. Manual intervention is only required when checking a reconciliation break. However, the process for escalating a reconciliation break is unclear.

Financial Risk

Financial Risk Summary

KACC has only been operating since September 2023, therefore, the financial year ending in December 2023 represents less than 4 months of activity. The 2022 financial year has some figures as the company had been set up, but there was not operating, as such, the figures for 2022 are negligible.

KACC reported an acceptable profit for only a few months of operations. The CCP manages to maintain low expenses thanks to the shared services with KASE which are mainly paid for by the exchange.

On the negative side, KACC has a limited scope of insurance coverage which only covers buildings and equipments but no policy covering any errors from employees nor any bad strategy decisions from the company.

Profit & Loss Analysis

KACC reported a profit of KZT 769.15 million (USD 1.68 million) in 2023. The revenue was composed of 62.5% of operating income and 37.5% of interest income, which is ordinary for a CCP.

The operating expenses amounted to KZT 315.55 million (USD 0.69 million). The ratio of expenses to revenues was equal to 25% which is very satisfactory.

	2020	2021	2022	2023	2024
Revenue / Commission Income	-	-	34,159	792,459	-
Net Interest Income	-	-	14,652	607,223	-
Total Income	-	-	63,747	1,267,808	-
Total Expenses	-	-	31,809	315,548	-
Net Operating Income	-	-	31,938	952,260	-
Profit (Loss)	-	-	25,465	769,149	-
Comments	In KZT thousands				

Balance Sheet Analysis

As of end of 2023, KACC had total assets of KZT 2,943,208 million (USD 6.4 billion) which include the collateral held on behalf of clearing members.

By excluding the clearing members assets, KACC had cash and cash equivalents of KZT 41.29 million (USD 90,000). Similarly, for reverse repo and invested securities, KACC's own portfolio amounted to KZT 579. 5 million (USD 1.26 million) and KZT 553.8 million (USD 1.21 million) respectively.

KACC has a capital of KZT 2,501 million (USD 5.45 million), which is composed of the issued capital and the profit for the year 2023. At this stage, given the entity is new, the CCP is not planning to distribute any dividends so the plan is to build a capital reserve that would cover at least the default of the 2 largest participants. Once this is achieved, KACC will consider distributing dividends from its profit.

Balance Sheet - Assets

	2020	2021	2022	2023	2024
Cash and Cash Equivalents	-	-	26,695	51,563,259	-
Total Current Assets	-	-	188,622	2,943,206,267	-
Total Non-Current Assets	-	-	1,330	1,741	-
Total Assets	-	-	189,952	2,943,208,008	-
Comments	In KZT thousands				

Balance Sheet - Liabilities and Shareholder Equity

	2020	2021	2022	2023	2024
Balances with / Payables to Members (if available)	-	-	0	2,940,501,467	-
Total Current Liabilities	-	-	5,172	2,940,706,027	-
Total Liabilities	-	-	5,172	2,940,706,027	-
Issued Capital	-	-	178,872	1,726,924	-
Retained Earnings	-	-	5,908	775,057	-
Total Equity	-	-	189,952	2,501,981	-
Comments	In KZT thousands				

Ratio Analysis

KACC has very strong cash and current ratios which shows that the CCP would easily meet its current liabilities with its current assets or even just its cash and cash equivalents. In addition, the debt ratio is very low which indicates that the CCP does not rely on any borrowing to finance its business.

Financial Ratios

	2020	2021	2022	2023	2024
Current Ratio	-	-	-	7.3	-
Cash Ratio	-	-	-	5.74	-
Debt Ratio	-	-	-	-	-

Comments	-

Ownership and Access to Capital

KACC is fully owned by KASE, the stock exchange. As the CCP is a new company, it has been decided that the profits generated will be kept to build additional capital. Once the capital is judged satisfactory, the CCP will consider distributing dividends.

KACC does not have an explicit guarantee from its owner, although a credit line is under discussion and could be set up in the near future. KASE is owned 47% by the State Institution National Bank of the Republic of Kazakhstan (under law the central bank must own at least 25%). Moscow Exchange (MOEX) had previously held 13.1% of KASE stock, but this has been disposed of from 11th October 2024 after KASE terminated their Strategic Cooperation Agreement.

Insurance

The CCP does not have any professional indemnity or directors and officers insurance. The only insurance policies maintained cover buildings and equipments at the group level, as well as employee accidents or health problems. The limits on the insurance policies are as follows:

Buildings: KZT 932 million (group level)
Equipments: KZT 666 million (group level)
Compulsory accident: KZT 1,456 million (group level)
Workers' illness: KZT 28.5 million (KACC only)

Investment in Infrastructure and Business Risk

Fee Structure

Fee Structure

-

Operational Risk

Summary

KACC has defined Operational Risk as a risk of losses as a result of inadequate or insufficient internal processes, human resources and systems or external events, and is recognised as a core risk that it shall identify, manage and evaluate. KACC maintains a dedicated risk appetite, in addition to the risk appetite for the Group. The Internal Audit Department (IAD) has begun conducting audits of various departments. However, the size, experience and qualifications of the IAD are limited, and does not contain any IT expertise. Further, the external audit is limited to a financial audit only. KACC's Business Continuity Management Plan includes: two data centres in Almaty (primary and DR sites) and a third in Astana, a hot site at the NBRK, and annual training and testing for staff. The plan ensures minimal disruption in case of emergencies, such as loss of main office or communication channels. Key components include backup power, secure access, and redundant systems to maintain critical operations.

Identification of Key Controls

KACC maintains a documented Risk Management Policy and Risk Management Rules respectively. The Policy was developed in line with the requirements set by Article 49.1 of the SML and defines procedures for identification, evaluation and establishment of maximum permissible values for key risk indicators (KRIs); procedures for the monitoring and control of identified risks and risk management measures and roles of departments regarding risk management and the procedure for exchanging of information between them.

Risks are identified through an annual questionnaire circulated to all divisions, initiated by the RMD. This process results in the formation of a risk register for the organisation, which is approved by the Board of Directors. The Risk Coordinators, IAD and Compliance department are required to be informed of the risk register within 5 days of the risk register's approval by the Board. An ad-hoc risk identification and assessment process may be initiated if new risks are identified outside of the regular annual cycle. The risk register is maintained on Excel and is manually monitored and updated. For risks designated as high or critical (unacceptable) risks, the Risk Coordinator sends a list of KRIs to the RMD, as well as action plans containing information regarding action being taken/planned within 10 days of the risk register's approval. KRIs are set for high risks, and their values are determined by the RMD based on the scale of impact and level of risk. The maximum permissible values and actual risk value of KRIs require approval by the Board.

Risks identified outside of the annual cycle are implemented into the risk register on an ad-hoc basis, following the same procedure as the annual risk assessment. If the risk identified is new and/or affects the market it would be escalated to both Management and the Board, whereas, if it results in a process change, it would be escalated to Management only. Clause 46 of the Risk Management Rules requires Risk Coordinators to submit information including (amongst others) the causes, measures taken and planned to address it, within 3 days of the risk event. Consolidated reports are also submitted by Risk Coordinators on risk events to the RMD monthly. The RMD conducts a quarterly analysis of risk events which is submitted to the Board. KACC has confirmed that no significant risk events were reported over the previous year.

Operational Procedures

The Risk Management Policy determines the process for developing and maintaining procedures, and KACC has a wide range of procedures for varying services and practices. These include internal operations such as IT operations, risk and audit, as well as procedures for dealing with different aspects of the clearing process and how to deal with clearing members, including monitoring, suspension and liquidation of participants, account opening and management, margining, collateral, stress testing, default and waterfall operations. There are also procedures for the use of third parties such as correspondent banks and liquidity providers.

KACC has internal documentation describing its procedures, reporting templates, minimum reporting frequencies and recipients and maintains checklists for processes, with the Head of Department responsible for checking the relevant checklists on an annual basis. KACC confirmed that there have been cases in the last year where the Head of Department has informed the RMD of control gaps which were then rectified. The reporting of such cases is conducted via email. Following the update of procedures, the internal documentation would be updated to reflect the change and would be emailed to employees. Whilst the collection of risk event information is a manual process, KACC has stated plans to move to KASE's risk register system in 2025, however no implementation date has been set.

Operational Audit

KACC maintains a dedicated Internal Audit Dept ('IAD'), composed of two employees – the Head of Audit and the Senior Auditor, whose scope includes auditing all areas and business processes of the company. As stated in Clause 6 of the Internal Audit Rules, the IAD is functionally accountable to the Board. The IAD evaluates the effectiveness of internal controls, the completeness of identified risks, and the compliance of internal documents with both the legal requirements and in practice. The IAD will take a sample of the processes over the last year to test the success of the controls and procedures. Annually, the IAD will establish an Audit Object Map which reflects the risk assessment of each business process, the time since the last audit, and the rating of the internal control system obtained from the last audit. KACC will use such information to rank the processes by zones according to their overall risk rating. Those located in high-risk zones (critical processes) are audited annually, medium-risk zones are audited biennially but also depends on capacity, and low-risk zones are audited once every three years at a minimum. A typical audit includes all high-risk processes, and a selection of the medium and low-risk processes, depending on the date of their most recent audit. The IAD will send a report on its findings to KACC's Audit Committee, comprised of 3 KACC Board members, which is responsible for coordinating and controlling the IAD's activities. As stated in Clause 167 of the Internal Audit Rules, the report will then be sent to the Board. Any gaps and recommendations will be incorporated into an action plan approved by Management and presented to the Board. The progress of implementations will be monitored by the IAD, with quarterly progress reports submitted to Management, the Audit Committee, and the Board.

KACC stated the first internal audit was conducted in January 2024, the scope of which included the Settlement and Legal departments, as well as Budgeting. The audit results stated no material concerns, but identified gaps relating to unestablished business procedures. KACC's next internal audit will analyse the Compliance department for conflicts of interest.

The IAD maintains no certified specialist for an IT audit, so does not conduct an internal IT audit. However, the IAD conducts a check of the sufficiency and effectiveness of KACC's IT systems and procedures according to the Risk Management System Requirements No. 11 and No. 59. The scope of the assessment includes the software and hardware used in the clearing process, and any processes in the high-risk zone. Additionally, a Group IT audit is conducted externally on a biennial basis according to COBIT 2019 standards, which includes physical IT security, access and account controls, operational controls and procedures, and software changes and upgrades. The latest Group IT audit was conducted by EY in December 2023 and assessed 21 IT management processes. The audit also considered KASE's goals, one of which is the development of KACC as key infrastructure. The IT external auditor is required to be a separate company from the external financial auditor.
KACC does not conduct external operational audits. The external audits are limited to annual financial audits. In 2023, this was conducted by a local auditor, BDO Qazaqstan, which made nine minor comments, but no major issues were found. In 2024, the audit will be conducted by EY. Though KACC has no plans for conducting an external operational audit due to its cost, the RMD has begun assessing which standard an external operational audit would be conducted to.

Audit reports are used to assist KACC in reviewing risk areas and criteria but are not utilised for providing staff awareness or training. Additionally, as a public joint stock company, under Kazakh law, the summary report of the audit is freely available to the public.

The market regulator, the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (ARDFM), stated that it conducts remote supervision of KACC on an ongoing basis, as well as unscheduled inspections. The ARDFM assesses compliance with the requirements of the SML, identifies and analyses existing and potential risks, and the potential impact to KACC. The regulator utilises monthly checklists with KPIs of KACC to identify factors affecting its financial performance. The CCP submits regular reports to the ARDFM regarding daily net claims and net liabilities, monthly financial statements, semi-annual reports on compliance with AML and CTF laws and annual assessments on compliance with the risk management system requirements. KACC is also required to inform the ARDFM of employee changes. The regulatory monitoring is conducted in line with Law No. 474-II of 4 July 2003, and the requirements for KACC to provide timely responses to the ARDFM are established in the SML. The ARDFM has not had to take material action against KACC, the only measures applied were for violations of the deadlines for providing information.

Processing

KACC utilises internationally accepted communication standards to ensure efficient payment, clearing, settlement, and recording. The main communication channel that CCP uses with its participants is its own proprietary electronic system. In case of cross-border operations, KACC systems use SWIFT, which is a globally recognised communication method used by many financial institutions. Standardised message formats, such as ISO 15022 and ISO 20022, are used as communication channels.

Additionally, KACC has a system in place that can translate or convert message format and data from international standards into the domestic equivalent and vice versa, in cases where no international standard is used.

Reporting

KASE, KACC, and their members utilise a shared trading-clearing system. For reporting purposes, KASE and KACC employ separate communications systems, including eTransfer, which enables secure document exchange with digital signatures. Members also use eTransfer to submit payment instructions.

KACC leverages SWIFT to monitor its balances with correspondent banks (via MT950/940) and to facilitate cash transfers to member banks (via MT202).

As a central counterparty, KACC serves three markets: securities, foreign exchange (F/X), and derivatives. The company generates daily reports for each market and member after every clearing session. These reports include:

- Securities market: margin calls, income for transfer, financial instruments in the property pool, mark-to-market (MTM) updates
- F/X market: margin calls and variation margin updates
- Derivatives market: positions on clearing accounts, claims, and obligations regarding variation margin

Additionally, KACC provides reports on net claims and obligations for trades with current and future settlement dates, as well as obligations to replenish the guarantee fund, after each clearing session for securities and F/X markets

Disaster Recovery Procedures

The secondary data centre, located at a geographically distinct location, is a commercially run back-up data centre distinct to KASE/KACC.mitigates risks associated with localised catastrophic events. All systems (power supplies, air quality systems, network access etc) within the secondary data centre have a redundant/back-up facility to ensure full operational resilience with the centre as well as backing up the primary data centre.

The data centre has its own electricity station reinforcing its operational autonomy and reliability, with two electricity access points and two back-up generators. The first generator takes 40secs to fully power up, the second generator takes 30 secs. Five tons of diesel are retained on-site which can power the generators for up to 12hrs each, and there is a service level agreement with a diesel supplier which requires that resupply deliveries must take place within 2hrs of a request. The generators are tested every 40 days by a third-party specialist contractor. There are two UPS systems of 400kw each which can work in parallel to deliver around 14mins of power at maximum capacity to bridge any gap in power while the generators fire up. The UPS systems are tested every 30 days by the same third-party specialist firm which tests the generators.

Two air conditioning and filtration systems provide temperature and particle control into the server rooms each operating alternately for 72hrs before its counterpart takes over. The server room is kept at a constant 22C with a tolerance of +/-3C, and to a humidity level of between 45-50%. Server rows for each client are separated into enclosed ‘cold rooms’ with own controlled air supply and power.

There are two network rooms with independent network entry points. Although there are no fire suppression systems in the network room, there are fire alarms. The fire suppression system in the back-up centre also uses Kheoden-227 and is housed in its own secure room and is tested every 30 days.

There is a secure entry system to the server room which utilises facial recognition technology to ensure only certified personnel are admitted. The data centre has a separate monitoring room which is manned by at least two staff 24/7, with monitoring of all internal cameras, virtual machines, channel networks and temperature/humidity levels.

Business Continuity Procedures

As part of its Business Continuation Plan ('BCP'), which took effect in August 2020 and is due for an update, KACC prioritises maintaining minimum service levels of its clearing service by designating it as a "critical" function. In the event of an incident, the company guarantees that clearing services will be restored within a timeframe ranging from 10 minutes to 1 hour and 30 minutes, depending on the severity of the disruption.

The BCP incorporates scenarios including the partial or full loss of the main office, failure of the main communication channel and the introduction of a state of emergency or quarantine. The BCP is a hot site located 5 km away in the NBRK premises, with a dedicated room for KACC employees. Access to the room is prohibited for both NBRK and KACC employees unless accompanied by the relevant KACC employees. The BCP can be operational within 20 minutes. The BCP site has 6 dedicated workspaces, 2 seats for the maker and checker of the SWIFT system, 2 seats for the maker and checker of the trading and clearing system and 2 seats for securities market staff. In addition, there is a private room to either operate the SWIFT system or clearing system. Staff receive training on the BCP annually, and the necessary procedures and documents are printed and available at the site. The BCP is tested annually at minimum, with staff in the yellow and red zones working from the BCP site using their dedicated laptops, as they are prohibited from working virtually.

IT Operations

KASE and KACC utilise a single trading and clearing system supplied by MOEX under the Strategic Cooperation Agreement, though this is segmented by product type (FX, securities and derivatives).

KACC’s primary data centre in Almaty, the Kazteleport (a subsidiary of Halyk Bank of Kazakhstan) Sairam Data Centre, has sophisticated systems in place to assure operational resilience and continuity of service from the KACC servers. Fire control in the server room is provided by a Kheodon-227 gas suppression system that is tested annually. Air conditioning systems maintain a steady temperature of 22C, with a maximum of 27C permitted within the data centre policy.

There are two uninterruptible power supply (UPS) units which can act consecutively for 5 mins each which would bridge any disruption in power supply until generators in the base of the building become operational. The building has two backup generators that automatically kick in during power outages, providing full power restoration within 1-2mins. The generators are both tested every weekend and are serviced monthly. There are two tanks of diesel onsite with each tank capable of powering the generators for 3hrs each. There is a contract with the data centre managers to ensure fuel is supplied in a timely manner if the generators need to operate any longer then this. The building operates two independent lines of power supply, however these come from the same substation.

The data centre building is not earthquake-proof, but plans are in place to operate an alternate data centre in Astana in the future.

Cyber Security

Market regulations on operational resilience and cybersecurity provide a framework for KACCs policies. The management of cybersecurity incidents consists of four stages including planning and preparation of incidents, monitoring and identification of incidents, responding to an incident, and the investigation of an incident. Information assets are classified into critical and non-critical groups based on internal documentation, and information security requirements are established for systems, services and networks.

The response procedure is documented for staff, who are also provided with a training and awareness programme in management of information security events, incidents and vulnerabilities. Such training includes training and awareness programmes for information security, incident management programmes, and quarterly briefings. The monitoring of incidents is primarily conducted by KASE as the IT service provider, using an automated system which identifies and analyses incidents. In addition, events are monitored by the IT and Information Technology Security Service (ITSS) departments of KASE, and KACC users of the IT system in their daily use. Registration logs and material on information security incidents are provided to the ITSS, and the ITSS will be immediately notified of identified incidents.

Security incidents are assessed on their criticality based on a scale varying with the following options: zero, low, medium, high and critical. If KACC detects an incident, the employee must immediately report it to their supervisor, the RMD and to the ITSS, and the designated persons shall send Incident Resolution Requests detailing a description of the event. Security incidents are logged by the ITSS team and stored for at least 5 years, with immediate access available for at least 3 months. If the incident is identified by KASE, it will immediately establish and analyse the cause, plan recovery actions and perform the planned actions to resume the affected process. It will also send the relevant information regarding the incident to the authorised KACC employee. KACC is also required, by Resolution No. 48 of the NBRK dated 27 March 2018, to inform the ARDFM of information security incidents, no later than one business day from the occurrence. The impact assessment of the event will include the collection of data from the affected software and hardware.

The IT audit conducted by KASE includes incident management in its scope. During the onsite review, KACC stated that the cybersecurity manager of KASE utilises software to conduct daily scanning to identify any weaknesses in their internal servers and users. On a semi-annual basis, a report will be provided to the KACC cyber management team regarding their findings. Penetration testing of critical systems is conducted annually but details of this are not documented in the main IT policies. The latest penetration test of the Group found nine low level and one mid-level exception.

KACC stated the RTO for resuming settlement of cash and securities following a cyberattack, is 2 hours, and 4 hours for clearing and settlement of default on the exchange markets. KACC reports any incidents relating to cybersecurity risk on the information system with the ARDFM, who will assist KACC as they are considered systemically important. The system gathers information from the across the entire financial sector and can act as a threat intelligence system.

Staff Training

KACC has 47 dedicated employees, with a further 10 employees shared with KASE. The internal staff training plan is conducted by individual departments, and external staff training is requested to HR by the departments and budgeted, based on ad-hoc needs. Training is conducted in accordance with KASE standards, provided by the Rules of training and advanced training of employees, which incorporate regulatory requirements. At the time of review, KACC was utilising an external company to conduct ISO 9001 and ISO 27001 training regarding quality management and information security respectively. KACC ensures training is successful through testing and certification, however this is not obligatory for all training. Risk training and awareness is also conducted on a quarterly basis by the risk department to the staff, including new joiners.

Governance and Transparency

Governance and Transparency

KACC governance arrangements and composition of the boards are clear and publicly available via the KACC website. KACC has a board of directors, which is a governing body, and a management board, which is a collegial executive body of the company.

KACC discloses to its clearing members and other market participants, its rules, procedures, and policies on its website. These rules cover, among other things, governance issues, the rights and obligations of participants, procedures for handling risks, and fees for using its services. Also, news, press releases and important notices are posted on the website regularly.

Board Structure

KACC governance arrangements and composition of the boards are clear and publicly available via the KACC website. KACC has a board of directors, which is a governing body, and a management board, which is a collegial executive body of the company.

KACC's main Board of Directors comprises eight Directors of which two are independent, and is a separate board from the KASE parent. KACC Board of directors is responsible for the election of members of committees of the Board. Board convenes on Adhoc basis. The KASE board is chaired by its major shareholder, NBK, and has representation from the market regulator, ARDFM.

KACC management Board is composed of four members, including a chairman, who are responsible for implementing decisions of the general meeting of shareholders and the Board of Directors. Quantitative composition and term of office of the Management Board is determined by decision of the Board of Directors.

Board Committees

KACC has various board committees for Budget and Strategic Planning, Internal Audit, as well as Personnel, Remuneration and Social Issues Committee. The committees convene every quarter. They submit their reports and recommendations to the Board of Directors to undertake the necessary decisions. The formation, composition, responsibilities, competencies, work rules, terms and quorum of board committees is determined according to the Regulation on committees of the Board of Directors.

The CCP doesn't have a risk committee on board of director's level, however there is a market risk committee on the management board level, which convenes every quarter. The committee consists of:
• at least 2 members from the KACC’s Management Board;
• heads of market risks and clearing divisions;
• invited experts from KASE;
• other employees of the CCP appointed by the Chairman of the Management Board.

Transparency

Transparency

KACC discloses to its clearing members and other market participants, its rules, procedures, and policies on its website. These rules cover, among other things, governance issues, the rights and obligations of participants, procedures for handling risks, and fees for using its services. Also, news, press releases and important notices are posted on the website regularly. KACC has completed and published the IOSCO PFMI report for 2024.

KACC discloses the circumstances under which it accepts trades for clearing and the legal basis of its activities as described within the "Rules of conduct of clearing activities under transactions with financial instruments", which is available online.

There is no recovery and resolution plan, as it is in the process of being developed.

No statistical information can be located on KACC website, only limited amount is available on KASE stock exchange website. Statistical information required under IOSCO’s Quantitative Disclosure Framework is not provided, nor there is any data analysis.

All relevant information is made public via the KACC website in Kazakh, Russian and English, however some documents on CCP's procedures are available only in Kazakh and Russian.

About the CCP

Name and Address	*Legal Status*
KASE Clearing Center (KACC) Baizakova str, 280, North Tower-MFC "Almaty Towers" Almaty Kazakhstan	Joint Stock Company (JSC)
Website	***Regulated by***
kacc.kase.kz	ARDFM - The Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market

Publication Date

The publication date represented here is December 2024 . This is the date that the assessment report has been reviewed by third parties that may include the CCP (for proprietary assessments). The report is updated on an on-going basis throughout the year as new information is received and should be read in conjunction with the relevant newsflashes issued since the publication date.

Risk Definitions & Explanation

Counterparty Risk

One of the major roles of the CCP is to mitigate counterparty risk between the clearing members. It does this by ensuring that the margin models and default fund are sufficient to cover market movements in the event of stress and default. Clearing members are particularly keen to ensure that the margin and default models do not expose them to undue exposure while at the same time providing acceptable levels of risk mutualisation. The membership criteria (including credit checks), limitations on liability and waterfalls attached to the default fund are all drivers of counterparty risk. The collateral that a CCP accepts introduces credit risk that may compound the counterparty risk which the CCP is managing. This can be managed via concentration limits and risk assessed haircuts. The funds that a CCP places in the market will also incur credit risk.

Treasury and Liquidity Risk

Treasury: The CCP collects participants' margin and default funds and may invest these independently using its own commercial criteria. These funds can be significant and represent a large amount of collateral available to the financial sector. Clearing members (and their clients) who provide these funds, have a keen interest in knowing how they are invested on their behalf. A CCP can manage its market risk by ensuring that it has proper Treasury controls around the deposits and investments that it makes, employing appropriate limits and ensuring that the safekeeping arrangements are adequate. This is not the market risk embedded in a derivatives contract.

Liquidity: The CCP is obliged to repay margin monies as positions and risks in the market vary. It is required, therefore, to ensure that the assets it maintains are sufficiently liquid such that it can repay margins at short notice. It may achieve this by ensuring that its market investments are extremely liquid or in cases of market stress, that it has alternative credit lines to provide liquidity.

1. **Funding Liquidity Risk -** the risk that a bank will not be able to meet efficiently the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition.
2. **Market Liquidity Risk -** the risk that a bank cannot easily offset or eliminate a position at the prevailing market price because of inadequate market depth or market disruption.

The benefits arising from netting and the compression ratios achieved by the CCP will impact the liquidity requirements of its clearing members.

Asset Safety Risk

Some of the margin arrangements provide for the collection of non-cash collateral that needs to be held in custody. Clearing members will want to ensure that they have title to the collateral in the event of a default by another member or in the event of a default by the CCP itself. Where the collateral is managed by a third party the CCP will want to ensure that the proper controls are in place by that organisation that protect the rights of the clearing members to the collateral. Where the CCP accepts collateral it should ensure that title is appropriate and that any rehypothecation is properly controlled. If the CCP engages in stock lending it should manage the risk mismatch between borrowing and lending.

Financial Risk

The risk to the CCP's own financial condition, which arises from the CCP's contributions to the waterfall, losses arising from Market Risk, competitive pressures and ability to continue as a

Risk Grade Scale

AAA	Extremely Low Risk
AA+	Very Low Risk
AA	
AA-	
A+	Low Risk
A	
A-	Moderate Risk
BBB	
BB	High Risk
B	Very High Risk
CCC	Extremely High Risk
N/R	No risk grade assigned

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Names of analysts available on request.

viable company. Basle III requires the CCP to contribute to the default fund, which in turn impacts the clearing member's capital requirement against its own contribution to the default fund. The level of support from shareholders, clearing members and possibly governments will mitigate this risk.

Operational Risk

The risk that deficiencies in information systems or internal controls, human error or management failures will result in losses either to the CCP or its clearing members, leading to delays, losses, liquidity problems and in some cases systemic risk. Includes the ability to process transactions efficiently, the level of STP (either internal or via third parties), the number of trading venues supported across the range of products and the level of client segregation. This risk can be assessed in terms of the availability of the CCP's infrastructure and the level of service quality.

Governance and Transparency Risk

The risk that a clearing member may incur a loss arising from the CCP not acting according to good governance arrangements or not providing full and accurate information on its activities. The rules, margining methodologies and investment policies of the CCP should be clear and transparent to the CCP's stakeholders. The role of the Board and any Committees constituted under the CCP's rules should be clearly laid out and the participants should be suitably qualified. All the stakeholders should be identified and represented in the governance of the CCP.

Report Date
Kazakhstan
13/12/2024