

# KAZAKHSTAN STOCK EXCHANGE

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## **A p p r o v e d**

by a decision of the Board of Directors  
of JSC "Kazakhstan Stock Exchange"

(meeting minutes  
No. 22 dated July 13, 2018)

## **E f f e c t i v e**

as of October 1, 2018

### **NOTICE**

The Regulations have been translated into English by employees of Kazakhstan Stock Exchange solely for information purposes. In case of any incompliance of this translation with the Regulations' original in Russian, the Russian version prevails.

# **REGULATIONS**

## **on clearing participants**

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Almaty

2018

## **LIST OF AMENDMENTS**

**1. Changes and additions No. 1:**

- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange (KASE) JSC (meeting minutes No. 26 dated September 7, 2018);
- effective as of October 1, 2018.

These Regulations (hereinafter – the Regulations) were developed in accordance with laws of the Republic of Kazakhstan, the internal document of Kazakhstan Stock Exchange (hereinafter – the Exchange) "The Rules of execution of clearing activities on deals in financial instruments" (hereinafter– the Clearing Rules) and other internal documents of the Exchange, and define the procedure of assigning, stripping and resumption of the clearing participant status, the procedure of defining the clearing participant's category, as well as requirements for organizations applying for the status of a clearing participant (hereinafter – candidates), requirements for defining the category of a clearing participant, rights and liabilities of clearing participants, responsibility of clearing participants and the Exchange.

## **Chapter 1. GENERAL PROVISIONS**

### **Article 1. Definitions and terms used in the Regulations**

1. The Regulations contain definitions and terms defined by laws of the Republic of Kazakhstan, the Clearing Rules and other internal documents of the Exchange.
2. Other definitions used in the Regulations mean the following:
  - 1) the National Bank – State institution "the National Bank of the Republic of Kazakhstan";
  - 2) currency market – the Exchange's regulated market of foreign currencies cleared by the Exchange;
  - 3) derivatives market – the Exchange's regulated market of derivative financial instruments cleared by the Exchange;
  - 4) stock market – the Exchange's regulated securities market, cleared by the Exchange;
  - 5) exchange markets – stock market, currency market and derivatives markets on the whole;
  - 6) transactions – transactions, concluded during the trading operated by the Exchange;
  - 7) orders – orders submitted to the Exchange's trading system for conclusion of deals;
  - 8) obligation – an obligation of a clearing participant to conclude a deal on terms of the order he submitted, or an obligation to execute a deal;
  - 9) rating – rating determined by the Exchange for a clearing participant, periodically, in accordance with the Exchange's internal document "Methodology of Evaluation of Financial Standing of members of the Exchange".

### **Article 2. General provisions**

1. For purposes of providing clearing services as part of the Exchange's clearing activities on exchange markets, members of the Exchange of various categories are assigned the following statuses:
  - 1) "clearing participant of the currency market" – to members of the Exchange of the "currency" category;
  - 2) "clearing participant of the derivatives market" – to members of the Exchange of the "derivative" category;
  - 3) "clearing participant of the stock market" – to members of the Exchange of the "stock" category.
2. One member of the Exchange can have several statuses of the clearing participant.

3. For purposes of defining the procedure of execution of deals, a clearing participant is assigned one of the following categories:
  - "unsecured" – a clearing participant is not subject to requirements for providing security of fulfillment of his obligations;
  - "partially secured" – a clearing participant is subject to requirements set by the Clearing Rules, regarding partial security of fulfillment of his obligations;
  - "fully secured" – a clearing participant is subject to the requirement for full security of his obligations in financial instruments which generate those obligations.
4. The procedure of assigning and changing of the clearing participant status is defined in article 7 of the Regulations.

## **Chapter 2. CLEARING PARTICIPANT STATUS**

### **Article 3. Requirements for a candidate applying for the clearing participant status**

1. A candidate for the clearing participant status can be represented by a legal entity holding a valid status of a member of the Exchange of a particular category assigned to him in accordance with the Exchange's internal document "Regulations on Membership".
2. To obtain the clearing participant status of any exchange market the candidate must:
  - 1) meet equity capital sufficiency and liquidity standards set by the authority of the country, in accordance with whose legislation the candidate was founded, within three consecutive completed calendar months until the date of submission of the application for the clearing participant status;
  - 2) meet requirements set in item 1 of article 12 of the Regulations.

### **Article 4. Documents provided by the candidate for the clearing participant status**

1. To obtain the clearing participant status the candidate must provide the Exchange with an application for the clearing participant status prepared according to the form of appendix 1 to the Regulations.

An application for assigning the clearing participant status is at the same time the consent of the candidate for conclusion (acceptance of the Exchange's offer for conclusion) of the clearing service contract which is appendix 2 to the Regulations.
2. To obtain the status of a clearing participant of the stock market, a candidate must provide to the Exchange a copy of the notice of the Central Securities Depository JSC (hereinafter – the Central Depository), confirming the availability of the candidate's accounts indicated in item 3 of article 12 of the Regulations.

### **Article 5. Preparation of an opinion for assigning the clearing participant status to a candidate**

1. Upon receipt from a candidate of documents, indicated in article 4 of the Regulations, the responsible unit of the Exchange shall prepare an opinion on the possibility of assigning to that candidate of the clearing participant status (hereinafter – the opinion), containing the following information:
  - 1) about the candidate's compliance with requirements of article 3 of the Regulations;
  - 2) on provision by the candidate of documents indicated in article 4 of the Regulations;

- 3) about the candidate's compliance with requirements of the legislation of the country of incorporation of that candidate (from public sources);
  - 4) about facts of non-fulfillment (undue fulfillment) by the candidate of his obligations for a period of no less than one year before the date of submission of the application for the clearing participant status, if the candidate is a valid member of the Exchange in said period;
  - 5) other information being substantial for taking a decision on assigning of the clearing participant status.
2. An opinion must be prepared within 10 business days from the day of receipt by the Exchange of documents mentioned in article 4 of the Regulations.
  3. In the process of preparation of an opinion the Exchange may request from the candidate, government bodies or other organizations, additional documents, necessary, in the Exchange's opinion, for preparation of a justified opinion. In such case, the preparation of an opinion is suspended until the Exchange receives requested documents and / or other answer.
  4. Provision by a candidate seeking the clearing participant status, of documents containing incomplete, inaccurate, unreliable or outdated information, is a sufficient reason for refusal to prepare an opinion, and accordingly, for the Exchange's refusal to assign the clearing participant status to a candidate.
  5. An opinion concluded in accordance with this article, is considered by the Exchange's Management Board (hereinafter – the Management Board) at its next meeting.

### **Article 6. Granting the clearing participant status**

1. The Management Board, following the opinion, prepared in accordance with article 5 of the Regulations, takes a decision on the granting to the candidate of the clearing participant status, with specifying a particular category in accordance with chapter 3 of the Regulations.
2. A finding of non-compliance of the candidate with any of requirements of article 3 of the Regulations, as well as of facts of the candidate's failure to meet obligations, violation of laws or other information witnessing of the possibility of emergence of circumstances that can lead to the candidate failing to meet obligations in response to clearing services, is a sufficient reason for refusal to grant the candidate the clearing participant status.
3. A decision of the Management Board on granting the clearing participant status to a candidate is brought to knowledge of the candidate and the National Bank no later than the business day following the day of the decision, by sending a respective notice.
4. A decision of the Management Board on refusal to grant the clearing participant status to a candidate is brought to knowledge of the candidate and the National Bank no later than the business day following the day of the decision, by sending a respective notice.
5. The candidate who was refused the clearing participant status, may upon expiry of three months after the Management Board took the respective decision, repeatedly submit an application for the clearing participant status, taking into account requirements of the Regulations.

### **Article 7. Suspension and resumption of the clearing service for a clearing participant**

1. The Management Board may take a decision on suspending the clearing service for a clearing participant on an exchange market for a definite period of time in the following cases:

- 1) non-compliance of the clearing participant with requirements set in article 12 of the Regulations;
  - 2) non-fulfillment (undue fulfillment) by clearing participants of their obligations on deals, on contribution of (additional) guarantee fees, of security, in accordance with the Regulations, the Clearing Rules and other internal documents of the Exchange;
  - 3) non-payment (untimely or incomplete payment) of clearing fees, penalties/forfeits and other applicable amounts in accordance with the Regulations, the Clearing Rules and other internal documents of the Exchange;
  - 4) there is information capable of negatively affecting the clearing participant's ability to fulfill obligations;
  - 5) suspension of the membership of the clearing participant on the respective exchange market;
  - 6) banning of the clearing participant from trading in all instruments of a particular market.
2. Suspension of the clearing service of a clearing participant on the respective exchange market for any of reasons specified in sub-items 1)-5) of item 1 of this article is a reason for the Exchange's Management Board to take a decision on banning that clearing participant from trading on that exchange market for the similar period.
  3. At suspension of the clearing service of a clearing participant on the respective exchange market, a clearing participant retains obligations set in the Clearing Rules, the Regulations and other internal documents of the Exchange.
  4. A decision on resumption of the clearing service for the clearing participant on the respective exchange market that was earlier suspended in accordance with sub-item 1) of item 1 of this article, may be taken by the Management Board provided the clearing participant removed the non-compliance within the time determined by the Exchange's Management Board as the time of suspension of the clearing service of the clearing participant.
  5. A decision on resumption of the clearing service for the clearing participant on the respective exchange market that was earlier suspended in accordance with sub-item 2) of item 1 of this article, may be taken by the Management Board provided the clearing participant fully fulfilled his obligations that being not fulfilled (unduly fulfilled) were the reason for the Management Board's decision on suspension of the clearing service for such clearing participant.
  6. A decision on resumption of the clearing service for the clearing participant on the respective exchange market that was earlier suspended in accordance with sub-item 3) of item 4 of this article, may be taken by the Management Board after the clearing participant settled payments that earlier were not made and brought to the suspension.
  7. A decision on resumption of the clearing service for the clearing participant on the respective exchange market that was earlier suspended in accordance with sub-item 4) of item 4 of this article may be taken by the Management Board at receipt of information, witnessing of the removal of the reason for suspension of clearing service.
  8. A decision on resumption of the clearing service for the clearing participant on the respective exchange market that was earlier suspended in accordance with sub-items 5) and 6) of item 1 of this article, is taken by the Management Board in case of resumption of the membership of the clearing participant on the respective exchange market or resumption of his admission to trading, accordingly.
  9. A suspension and resumption of the clearing service for the clearing participant is the reason for the Exchange's Management Board to take a decision on

banning from trading or admission of that clearing participant to trading in financial instruments on the respective exchange market (market section) for the similar time.

10. The Management Board's decision on suspension or resumption of clearing service for the clearing participant is brought to knowledge of the clearing participant and the National Bank no later than the business day following the day of decision, by sending respective notices.
11. Suspension of clearing service for a clearing participant is not a reason for returning of guarantee fees to the clearing participant.

**Article 8. Stripping of the clearing participant status**

1. The Management Board takes a decision on stripping of the clearing participant status in the following cases:
  - 1) if the Management Board earlier took a decision on suspension of the clearing service for the clearing participant in accordance with in accordance with item 1 of article 7 of the Regulations, and the clearing participant within the period of time specified by the Management Board, didn't correct inconsistencies which were the reason for taking said decision;
  - 2) in case of declaring by the Management Board of a clearing participant as insolvent in accordance with the Clearing Rules on the respective exchange market;
  - 3) at receipt by the Exchange of a letter from the clearing participant with an application for voluntary waiver of the clearing participant status.
2. Stripping of the clearing participant status occurs without a decision of the Management Board in case of stripping of the Exchange membership by the respective category.
3. Stripping of the clearing participant status on the currency market is the reason for putting up the issue of discontinuation of membership of that organization by the currency category for consideration by the Board of Directors.
4. A decision of the Management Board on stripping of the clearing participant status is brought to knowledge of the clearing participant and the National Bank of the Republic of Kazakhstan no later than the business day following the day of decision, by way of sending respective notices.
5. The organization stripped of the clearing participant status (other legal entity responsible for liabilities of the organization, e.g. the liquidation commission), retains obligations of the organization emerged in the period when the organization held the clearing participant status, that are set in the Clearing Rules, the Regulations (including appendices thereto) and other internal documents of the Exchange.

**Chapter 3. CLEARING PARTICIPANT STATUS**

**Article 9. Procedure of assigning a category to a clearing participant**

1. The category "unsecured" on any exchange market is assigned only to the National Bank.
2. All clearing participants of the stock market and clearing participants of the derivatives market, except for the National Bank are assigned the category – "partially secured".

3. Clearing participants of the currency market, except for the National Bank, can be assigned the category "fully secured" or "partially secured", following a decision of the Management Board.
4. The category "partially secured" can be assigned to a clearing participant of the currency market meeting the following requirements:
  - 1) the amount of the equity capital of clearing participant makes up at least KZT10,000,000,000 (ten billion) according to data of its most recent financial statements provided to the Exchange, or (if his equity capital is expressed in terms of a foreign currency) – at least the equivalent to KZT10,000,000,000 (ten billion) at the exchange rate of the National Bank as of the date of preparation of such statements;
  - 2) he has a rating no lower than "C";
  - 3) compliance with the ratios of equity sufficiency and liquidity specified by the government authority in the country of incorporation of the clearing participant (if such requirements are available).
5. The category "fully secured" is assigned to a clearing participant of the currency market, in case of his non-compliance with any of requirements specified in item 4 of this article.
6. A clearing participant of category "partially secured" must contribute a guarantee fee to the clearing guarantee fund of the respective exchange market or section of the exchange market to the amount specified in appendix 3 of the Regulations.
7. The procedure of contributing, additional contributing and returning of guarantee fees to the clearing guarantee funds is determined in the Clearing Rules.
8. A clearing participant may not more than once a calendar month submit an application for change of the clearing participant category, prepared according to form of annex 4 to the Regulations.
9. The Management Board considers the application for change of the clearing participant category within 10 business days from the date of acceptance of such application.
10. The Management Board may change the clearing participant category, based on:
  - 1) the report on results of the clearing participants monitoring;
  - 2) acknowledgement of a clearing participant as unfair in accordance with the Clearing Rules.
11. In case the Management Board took a decision on a change in the clearing participant's category from "fully secured" to category "partially secured", then such clearing participant must contribute a fee to the clearing guarantee fund in accordance with items 6 and 7 of this article of the Regulations.
12. A decision of the Management Board on a change of the clearing participant category is brought to knowledge of the clearing participant no later than the business day following the day of the decision, by sending respective notices.

### **Chapter 4. MONITORING OF CLEARING PARTICIPANT**

#### **Article 10. Procedure of execution of monitoring of the clearing participant**

1. The Exchange carries out monitoring of clearing participants for purposes of defining their compliance with requirements specified in the Regulations, as well as in other internal documents, based on the clearing participant's status and the category assigned to him.
1. The Exchange carries out monitoring of clearing participants according to the



procedure specified in the Exchange's internal document "Regulations on Membership", and based on documents and information provided by the clearing participants as members of the Exchange.

3. The Exchange carries out monitoring based on the analysis of the following information:
  - 1) on compliance with requirements for clearing participants defined in article 12 of the Regulations;
  - 2) on the current rating of the clearing participant;
  - 3) on compliance with requirements for a particular category of the clearing participant on the respective exchange market defined in article 9 of the Regulations;
  - 4) on availability/absence in the period under review of facts of failure (undue performance) of the clearing participant on deals in financial instruments, on contribution (additional contribution) of guarantee fees, security, on payment of clearing and other fees of the Exchange, on payment of penalties/forfeits of the Exchange and other applicable amounts in accordance with these Regulations, Clearing Rules and other internal documents of the Exchange;
  - 5) on availability/absence of information capable of negatively affecting the clearing participant's ability to meet obligations on deals in financial instruments concluded on exchange markets;
  - 6) on availability/absence of the fact of failure of the clearing participant to meet his obligations on payment of the coupon and/or principal amount on securities he issued in the period under review.

**Chapter 5. RIGHTS AND OBLIGATIONS OF CLEARING PARTICIPANTS.  
RESPONSIBILITY OF CLEARING PARTICIPANTS**

**Article 11. Rights and obligations of a clearing participant**

1. A clearing participant may, according to the terms and conditions and the procedure, specified in the Clearing Rules, the Regulations (including appendices thereto) and other internal documents of the Exchange related to its clearing activities:
  - 1) use clearing services of the Exchange;
  - 2) receive from the Exchange information on results of clearing sessions;
  - 3) receive other information related to clearing activities of the Exchange;
  - 4) put up for consideration by the Exchange issues related to its clearing activities;
  - 5) exercise other rights stipulated in laws of the Republic of Kazakhstan and internal documents of the Exchange.
2. A clearing participant must (taking into account specifics set in articles 12 and 13 of the Regulations):
  - 1) meet requirements of laws of the Republic of Kazakhstan, as well as requirements specified in the Clearing Rules, the Regulations (including appendices thereto) and other internal documents of the Exchange, related to its activities, taking into account changes and/or additions that may be made thereto;
  - 2) in due manner fulfill obligations according to the procedure specified in the Clearing Rules, the Regulations (including appendices thereto) and other internal documents of the Exchange, including obligations on contribution

(additional contribution) of guarantee fees, security, as well as payment of forfeits and other applicable amounts;

- 3) pay clearing fees and other payments in favor of the Exchange provided for in the Clearing Rules, the Regulations (including appendices thereto) and other internal documents of the Exchange, in the amount and according to the procedure specified in such internal documents;
- 4) timely, completely and in an optimal manner fulfill obligations on deals concluded in financial instruments;
- 5) timely and to the full extent fulfill requirements for information disclosure specified in the Regulations and other internal documents of the Exchange;
- 6) accept and fulfill decision taken by the Exchange.

**Article 12. Requirements for clearing participants**

1. There are the following<sup>1</sup> requirements for clearing participants:
  - 1) compliance with requirements of internal documents of the Exchange set for a member of the Exchange of the following category;
  - 2) availability of connection to the electronic document exchange system eTransfer.kz<sup>2</sup>;
  - 3) he must have a rating not lower than the level, specified in these Regulations, if such requirement is set in article 9 of the Regulations or item 4 of this article;
  - 4) compliance with norms (requirements) related to the sufficiency of the equity capital and liquidity, specified by the government authority in the country of incorporation of the clearing participant;
  - 5) requirement for the availability of a proper risk management and internal control system, as it's defined in item 2 of this article.
2. Clearing participants must comply with the requirement for availability of a proper risk management and internal control system, in particular:
  - 1) a clearing participant which is a second-tier bank incorporated and operating in accordance with laws of the Republic of Kazakhstan, must meet minimum requirements for the organization of the risk management system and internal control system, specified in appendix 2 to the Rules of forming the risk management and internal control system for second-tier banks<sup>3</sup>;
  - 2) a clearing participant which is a second-tier bank incorporated and operating in accordance with laws of a country, other than the Republic of Kazakhstan, must meet minimum requirements for the organization of the risk management system and internal control system, specified by that country's authority for regulation of banking activities;
  - 3) a clearing participant which is an organization carrying out brokerage and/or dealing activities on the securities market or activities involving investment portfolio management, incorporated and operating in accordance with laws of the Republic of Kazakhstan, must hold a rating "compliant" according to

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<sup>1</sup> Based on requirements for the risk management system of a clearing organization, terms and procedure of monitoring, control and risk management in the clearing organization, approved by resolution No. 59 of the Management Board of the National Bank of the Republic of Kazakhstan dated February 24, 2012.

<sup>2</sup> The specialized system of electronic document exchange between the Exchange and its members, providing for cryptographic means of protection of transmitted data and ensuring their guaranteed delivery, confidentiality and inalterability.

<sup>3</sup> Approved by resolution No. 29 of the Management Board of the National Bank of the Republic of Kazakhstan dated February 26, 2014.

the most recent annual report on assessment of the compliance with requirements for risk management systems<sup>4</sup>;

- 4) a clearing participant which is an organization carrying out brokerage and/or dealing activities on the securities market or activities involving investment portfolio management, incorporated and operating in accordance with laws of a country other than the Republic of Kazakhstan, must comply with minimum requirements for the organization of the risk management system and internal control system, specified by that country's authority for regulation of such activities.
3. A clearing participant of the stock market must have a sub-account with additional feature "sub-account of the trading participant" and a bank account with additional feature "bank account of the trading participant", opened in his name at the Central Securities Depository.
4. A clearing participant on the derivatives market must have a rating not lower than "D" (*this item was changed by a decision of the Exchange's Board of Directors dated September 7, 2018*).

### **Article 13. Disclosure of information by clearing participants**

1. Information disclosure requirements specified in this article, do not apply to the National Bank which, in accordance with laws of the Republic of Kazakhstan, carries out government regulation of the securities market, and to organizations which are international financial organizations and are subjects of international law.
2. As part of disclosure of information towards the Exchange a clearing participant must provide to the Exchange the following documents and information:
  - 1) no later than July 1 of the year following the reporting year:

(if the clearing participant is a second-tier bank, incorporated and operating in accordance with laws of the Republic of Kazakhstan) a letter of assurance signed by the first executive of the clearing participant regarding compliance of the clearing participant with requirements for the organization of risk management and internal control systems specified in appendix 2 to the Rules of forming the risk management and internal control system for second-tier banks;

(if the clearing participant is a second-tier bank, incorporated and operating in accordance with laws of a country other than the Republic of Kazakhstan) a letter of assurance signed by the first executive of the clearing participant regarding compliance of the clearing participant with minimum requirements for the organization of risk management and internal control systems specified by that country's authority for regulation of such activities;

(if the clearing participant is an organization carrying out brokerage and/or dealing activities on the securities market or activities involving investment portfolio management, incorporated and operating in accordance with laws of the Republic of Kazakhstan) the annual report on assessment of the compliance with requirements for risk management systems<sup>5</sup>;

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<sup>4</sup> Composed in accordance with appendix 1 to the Rules of forming the risk management and internal control system for organizations carrying out brokerage and/or dealing activities on the securities market, activities involving investment portfolio management, approved by resolution No. 214 of the Management Board of the National Bank of the Republic of Kazakhstan dated August 27, 2013.

<sup>5</sup> Composed in accordance with appendix 1 to the Rules of forming the risk management and internal control system for organizations carrying out brokerage and/or dealing activities on the securities market, activities involving investment portfolio management, approved by resolution No. 214 of the Management Board of the National Bank of the Republic of Kazakhstan dated August 27, 2013.

(if the clearing participant is an organization carrying out brokerage and/or dealing activities on the securities market or activities involving investment portfolio management, incorporated and operating in accordance with laws of a country other than the Republic of Kazakhstan) a letter of assurance signed by the first executive of the clearing participant regarding compliance of the clearing participant with minimum requirements for the organization of risk management and internal control systems specified by that country's authority for regulation of such activities;

- 2) no later than the first business day following the day of onset of the event, – details of arrest imposed by courts, inquiry and investigation authorities or enforcement bodies according to civic and criminal cases or enforcement proceedings processed by them, on assets<sup>6</sup>, belonging to the clearing participant and/or his clients<sup>7</sup>.
3. Documents and information indicated in item 3 of this article are provided to the Exchange in form of electronic documents, authenticated by way of electronic digital signatures, keys of which were generated by the Republican state enterprise with the right of economic management "Kazakhstan Inter-bank Settlements Center of the National Bank of the Republic of Kazakhstan", in formats specified in those appendices by means of system is2in<sup>8</sup>.
4. The general procedure of information disclosure is determined in article 16 of the Exchange's internal document "Regulations on Membership".

### **Article 14. Clearing fees**

1. The Exchange charges clearing fees for execution of clearing on deals in financial instruments.
2. Clearing participants pay clearing fees in the amount and according to the procedure specified in the Exchange's internal document "Regulations on membership fees, exchange dues and clearing fees".
3. At stripping of an organization of its clearing participant status, clearing fees paid earlier shall not be returned.
4. Suspension of clearing service doesn't exempt the clearing participant from obligations on payment of clearing fees.
5. Stripping of an organization of its clearing participant status doesn't exempt the organization from obligations on payment of clearing fees, calculated in the period, when such organization held the clearing participant status, as well as fees calculated for deals executed in the name of the clearing participant as part of settlement of defaults in accordance with the Clearing Rules.

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<sup>6</sup> "Assets" mean money, securities and other financial instruments held by the clearing participant and/or his clients or other individuals and legal entities (including banks and organizations carrying out particular types of banking transactions, as well as in insurance companies, as well as in systems of the Central Securities Depository and/or other systems of registries of securities holders).

<sup>7</sup> "Clients" means only clients, on whose account, in whose interest and on whose behalf the clearing participant submits orders and concludes deals during trading on the Exchange.

<sup>8</sup> "is2in" (ISSUERS TO INVESTORS) is a specialized system of electronic document exchange between the Exchange and its members, as well as between the Exchange and securities admittance initiators that allows members of the Exchange and securities admittance initiators to transmit documents and information in electronic form to the Exchange (without provision of hard copies of such documents and information messages) with their consecutive automated release on the Exchange's website.

**Article 15. Clearing participant's responsibility**

1. Any non-fulfillment (undue fulfillment) by the clearing participant of his obligations set in the Clearing Rules, the Regulations (including appendices thereto) and other internal documents of the Exchange, related to its clearing activities, are subject to settlement according to the procedure specified in such documents.
2. Forfeits/penalties are calculated for non-fulfillment (undue fulfillment) by the clearing participant of his obligations set in the Clearing Rules, the Regulations (including appendices thereto) and other internal documents of the Exchange, related to its clearing activities, and are subject to payment according to the procedure specified in such documents.

**Article 16. Responsibility of the Exchange**

1. The Exchange, taking over functions of the central counteragent on particular exchange markets, guarantees fulfillment of obligations on deals concluded in financial instruments towards every diligent clearing participant irrespective of the fulfillment by other clearing participants of their obligations towards the Exchange according to the procedure and taking into account restrictions set in the Clearing Rules.
2. The Exchange as a clearing organization not executing functions of the central counteragent, ensures fulfillment of obligations of clearing participants on deals concluded in financial instruments according to the procedure specified in the Clearing Rules.
3. Reports on any substantial incidents capable of bringing about responsibility of the clearing organization on deals in financial instruments, concluded by clearing participants, is presented to the Exchange's Board of Directors according to the procedure defined in the Exchange's internal documents "Risk management policy" and "Rules of risk management".
4. The Exchange is not responsible for any losses that emerged beyond its control, or as a result of the following incidents or events:
  - 1) at onset of a malfunction due to force majeure or other events being beyond the Exchange's area of responsibility;
  - 2) at occurrence of technical problems, partial or full operating instability of software and hardware, errors of input-output procedures at execution of trading, clearing and settlement procedures, errors of disposal, management of security (collateral) provided on deals in financial instruments;
  - 3) at failure to fulfill (improper fulfillment) by the clearing participant of his obligations, in accordance with the Clearing Rules, the Regulations (including appendices thereto) and other internal documents of the Exchange related to its clearing activities;
  - 4) at execution of default settlement procedures;
  - 5) at availability of incomplete or unreliable information in documents, provided by clearing participants according to information disclosure requirements;
  - 6) at failure to present (untimely presentation) by government authorities and other organizations, of information capable of affecting the clearing participant's ability to meet his obligations on deals in financial instruments.

**Chapter 6. FINAL PROVISIONS**

**Article 17. Settlement of discrepancies and disputes**

1. Disputes and conflicts occurring between clearing participants, between the Exchange and its clearing participants, related to the Exchange's execution of clearing activities on deals in financial instruments (except for disputes and conflicts on issues of suspending the clearing service or stripping of the clearing participant status, as well as assigning and changing of the clearing participant categories) are subject to settlement by negotiations.
2. If a mutually acceptable solution cannot be reached by negotiations, the unsettled dispute (conflict) with the mutual consent of the parties is subject to transfer to the Exchange's Commission for settlement of disputes and conflicts (hereinafter – the Commission) (except for disputes and conflicts on issues of suspending the clearing participant status or stripping of the clearing participant status, as well as assigning and changing of the clearing participant category).
3. A decision taken by the Commission can be appealed in the Exchange's Board of Directors within one month after its date, in case of submission of an application for its cancellation to the Board of Directors.
4. An application for appealing the Commission's decision is considered by the Exchange's Board of Directors at its next meeting.
5. In case of appealing a decision of the Commission at the Exchange's Board of Directors, the execution of the decision taken by the Commission, is suspended.
6. In case a dispute (conflict) cannot be solved by the Exchange's Commission or Board of Directors, that dispute (conflict) can be solved at the court.
7. Decisions of the Exchange on issues of suspending the validity of the clearing participant status or withdrawal of the clearing participant status, as well as assigning and changes of the clearing participant's categories are not disputed and accepted by the clearing participants in full.
8. If a mutually acceptable solution cannot be reached by negotiations, the unsettled dispute (conflict) mentioned in part one of this item, is subject to settlement in courts of the Republic of Kazakhstan in accordance with laws of the Republic of Kazakhstan.

**Article 18. Final provisions**

1. The Regulations, and all changes and/or additions to the Regulations, shall be brought to knowledge of clearing participants by releasing on the Exchange's website ([www.kase.kz](http://www.kase.kz)).
2. The Regulations are subject to updating upon necessity, but at least once every three years.
3. The clearing department is responsible for the timely making of changes and additions to the Regulations.

Chairperson of Management Board

A. Aldambergen

**Appendix 1**

to the Regulations on clearing participants

[on a letterhead, with indication of the outgoing No. and date of application]

Kazakhstan Stock Exchange JSC

**APPLICATION**

**for assignment of the clearing participant status**

Hereby we ask Kazakhstan Stock Exchange JSC (hereinafter – the Exchange) to assign **[full name of the candidate for assignment of the clearing participant status in accordance with the certificate of his state registration (most recent state re-registration)]** the clearing participant status on the following exchange market(s)<sup>9</sup> **[tick]**:

- stock market
- currency market
- derivatives market

Hereby on behalf of **[full name of the candidate for assignment of the clearing participant status in accordance with the certificate of his state registration (most recent state re-registration)]** we declare that:

- we were introduced to the Rules of execution of clearing activities on deals in financial instruments (hereinafter – the Clearing Rules), the Regulations on clearing participants, Regulations on membership fees, exchange dues and clearing fees and other internal documents of the Exchange related to its clearing activities;
- this application is at the same time the consent to concluding (by means of joining the affiliation agreement) the clearing service contract, the contents of which are given in appendix 2 to the Regulations on clearing participants, on terms of the Clearing Rules, Regulations on clearing participants (including appendices thereto) and other internal documents of the Exchange, related to its clearing activities, with changes and/or additions being made to the mentioned documents;
- we unconditionally agree with all conditions and requirements specified in the Clearing Rules, Regulations on clearing participants (including appendices thereto) and other internal documents of the Exchange, related to its clearing activities, and we undertake to observe these conditions and requirements, to carry the full responsibility for violation of these conditions and requirements;
- we accept all subsequent changes and/or additions to the Clearing Rules, Regulations on clearing participants and other internal documents of the Exchange related to its clearing activities;
- we undertake to timely fulfill obligations on deals in financial instruments, on (additional) contribution of the guarantee fee(s), security, to pay clearing fees, penalties and forfeits (at their calculation), as well as carry out other payments and/or compensate expenses of the Exchange in accordance with the Clearing Rules, Regulations on clearing participants and other internal documents of the Exchange;
- sending by ourselves of this Application to the Exchange means acceptance of the Exchange's offer to conclude the Clearing service agreement being the Appendix @ to the Regulations on clearing participants.

[Chief executive's position] [signature] [surname, initials]

[Chief accountant's position] [signature] [surname, initials]

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<sup>9</sup> Until \_\_ month of 2018 the status of a clearing participant on the stock market corresponded with the clearing participant status by category "clearing participant of the stock market ", the status of a clearing participant on the currency market corresponded with the clearing participant status by category "clearing participant of the currency market", the status of a clearing participant on the derivatives market corresponded with the clearing participant status by category "clearing participant of the derivatives market".

**Appendix 2**

to the Regulations on clearing participants

**AGREEMENT**  
**on clearing services**

This Agreement is concluded between Kazakhstan Stock Exchange JSC, hereinafter referred to as the "**Exchange**", and a member of the Exchange who filed an application for the conclusion of this Agreement and hereinafter referred to as the "**Clearing participant**". Further, the parties of this Agreement are collectively referred to as the Parties and individually as a Party.

This Agreement is the accession agreement. The terms of this Agreement shall be regulated by the internal documents of the Exchange such as "Rules of executing clearing activities on transactions in financial instruments" (hereinafter – the Clearing Rules), the "Regulations on clearing participants" (including the appendix regulating the content of this Agreement) and other internal documents of the Exchange related to its clearing activities.

**1. SUBJECT OF AGREEMENT**

- 1.1. In accordance with this Agreement the Clearing participant shall entrust the Exchange with, and the Exchange shall undertake the obligation to provide (with or without executing the central counteragent's functions) clearing services regarding transactions in financial instruments concluded by the Clearing participant in the trading system of the Exchange, in the manner and on terms established by the laws of the Republic of Kazakhstan, the Clearing Rules and other internal documents of the Exchange related to its clearing activities.
- 1.2. The financial instruments, for transactions in which the Exchange carries out clearing activities, are defined by the Clearing Rules.
- 1.3. The concepts and terms contained in this Agreement shall have the meanings prescribed by laws of the Republic of Kazakhstan, the Clearing Rules and the Regulations on clearing participants.

**2. RIGHTS AND OBLIGATIONS OF THE PARTIES**

- 2.1. The Exchange shall:
  - 1) provide clearing services (with or without executing the central counteragent's functions) regarding transactions in financial instruments concluded by the Clearing participant in the manner established by the Clearing Rules and requirements of laws of the Republic of Kazakhstan;
  - 2) notify the Clearing participant of amendments and/or additions (including by approval of the Clearing Rules as amended) made in the Clearing Rules according to deadlines and in the manner provided for in the Clearing Rules;
  - 4) fulfill other obligations stipulated by the laws of the Republic of Kazakhstan and the internal documents of the Exchange.
- 2.2. The clearing participant undertakes to:
  - 1) comply with the Clearing Rules, the Regulations on clearing participants and other internal documents of the Exchange related to its clearing activities;
  - 2) duly fulfill all the obligations arising from the conclusion by the Clearing participant of transactions for which the Exchange performs clearing services (with or without executing



- the central counteragent's functions), including the obligation to pay clearing fees in favor of the Exchange;
- 3) in case of failure to fulfill his obligations in accordance with the internal documents of the Exchange, pay penalties and fines;
  - 4) to take over and fulfill obligations on all deals (including obligations emerged as a result of a novelty), concluded by the Exchange on behalf of the clearing participant as part of procedures on settlement of defaults in accordance with requirements of the Clearing Rules (*this sub-item was changed by a decision of the Exchange's Board of Directors dated September 7, 2018*);
  - 5) fulfill other obligations stipulated by internal documents of the Exchange and laws of the Republic of Kazakhstan (*this sub-item was included by a decision of the Exchange's Board of Directors dated September 7, 2018*).
- 2.3. The Exchange may:
- 1) collect, process and store information on transactions concluded by the Clearing participant;
  - 2) unilaterally make amendments and/or additions to the Clearing Rules, the Regulations on clearing participants (including by way of approval of the revised Clearing Rules) and other documents of the Exchange on clearing activities (with or without executing the central counteragent's functions);
  - 3) open clearing accounts as provided by the Clearing Rules and laws of the Republic of Kazakhstan;
  - 4) define obligations of the Clearing participant, including on payment of clearings fees in favor of the Exchange, in the manner prescribed by internal documents of the Exchange; make settlements on the basis of clearing results, write off clearing fees from the Clearing participant's collateral accounts;
  - 5) interact with other organizations and institutions in order to duly fulfill his obligations under the present Agreement;
  - 6) require the Clearing participant to comply with terms of this Agreement;
  - 7) unilaterally refuse the fulfillment of obligations under this Agreement in case of non-fulfillment by the Clearing participant of obligations stipulated by the Clearing Rules and laws of the Republic of Kazakhstan, by stopping the clearing service and/or withdrawing the Clearing participant status;
  - 8) by its actions generate obligations on the side of the clearing participant on all deals (including obligations emerged as a result of a novelty), concluded by the Exchange on behalf of the clearing participant as part of procedures on settlement of defaults in accordance with requirements of the Clearing Rules (*this sub-item was changed by a decision of the Exchange's Board of Directors dated September 7, 2018*);
  - 9) exercise other rights stipulated by this Agreement, the Clearing Rules and laws of the Republic of Kazakhstan (*this sub-item was included by a decision of the Exchange's Board of Directors dated September 7, 2018*).
- 2.4. The Clearing participant may:
- 1) submit to the Exchange requests for reports in accordance with the Clearing Rules;
  - 2) refuse to perform this Agreement unilaterally, provided there are no unmet obligations on transactions concluded on the Exchange and there is compliance with requirements stipulated by the Clearing Rules;
  - 3) exercise other rights stipulated by this Agreement, the Clearing Rules and laws of the Republic of Kazakhstan.

### 3. RESPONSIBILITY OF THE PARTIES

- 3.1. The clearing participant in case of non-performance or negligent performance of obligations hereunder shall be liable in accordance with laws of the Republic of Kazakhstan, the Clearing Rules and other internal documents of the Exchange related to its clearing activities.
- 3.2. The Exchange shall only be liable for those transactions in financial instruments concluded by the Clearing participant for which it performs the functions of the central counteragent. Thus, the responsibility of the Exchange is limited subject to the Clearing Rules.
- 3.3. The Parties shall be relieved from the responsibility for partial or total not-fulfillment of obligations under this Agreement, which was the result of force majeure, for the duration of such circumstances. If the duration of force majeure is more than 30 days, the Parties may terminate this Agreement.
- 3.4. The force majeure shall mean:
  - 1) natural disasters, earthquakes, floods, mudslides and fire and other natural disasters resulting in the impossibility to fulfill or impeding the Party to fulfill its obligations and occurring at the location of the head office (head bank, headquarters etc.) of the Party referring to said force majeure;
  - 2) war, military actions of any nature, blockade, terrorist acts, revolutions, civil unrest, strikes, lock-outs resulting in the impossibility to fulfill or impeding the Party to fulfill its obligations and occurring at the location of the head office (head bank, headquarters etc.) of the Party referring to force majeure mentioned in this item;
  - 3) embargo established by public authorities, prohibitions and restrictions, legitimate blocks or change in the law, decisions of public authorities, including authorities of countries other than the Republic of Kazakhstan resulting in the impossibility to fulfill or impeding the Party to fulfill its obligations and occurring at the location of the head office (head bank, headquarters etc.) of the Party referring to force majeure mentioned in this item;
  - 4) malfunction of software and hardware of the Exchange or other entities of infrastructure of the regulated securities market, currency market, derivatives market and other sectors of the stock market whose activities may affect the Exchange's ability to meet its obligations;
  - 5) temporary suspension or complete termination of operation of servicing banks, as well as other circumstances whose occurrence results in the impossibility to fulfill or impeding the Party to fulfill its obligations and that occur at the location of the head office (head bank, headquarters etc.) of the Party referring to force majeure mentioned in this item.
- 3.5. The document confirming the occurrence of the circumstances of force majeure and those referred to in sub-items 1)–3) of item 3.4 of this Agreement and their duration, shall be a certificate issued by the Chamber of Commerce of the Republic of Kazakhstan or other competent authority (organization) of the relevant country.
- 3.6. The document confirming the occurrence of the circumstances of force majeure and those referred to in sub- item 4) of paragraph 3.4 of this Agreement, and their duration, shall be a certificate signed by the CEO of the Exchange or a relevant opinion of the Exchange.

The certificate must be provided by the Exchange within seven business days from the date of occurrence of the circumstance as set forth in sub-item 4) of item 3.4 of this Agreement.
- 3.7. The Clearing participant shall immediately notify the Exchange of the occurrence of force majeure, its expected duration and termination.
- 3.8. The Party shall not be liable for non-fulfillment or negligent fulfillment of its obligations under this Agreement if it was caused by the failure of the other Party to comply with its obligations.
- 3.9. Payment of fines provided for in the Clearing Rules and the Regulations on clearing participants by the Party shall not relieve it from fulfillment of obligations assumed under this Agreement.

#### 4. CONFIDENTIAL INFORMATION

- 4.1. The application for assignment of the clearing participant status submitted to the Exchange shall simultaneously serve as the clearing participant's unconditional and irrevocable consent to the disclosure by the Exchange in accordance with laws of the Republic of Kazakhstan and its internal documents, of information which may constitute trade secret and other proprietary information of the Clearing participant (hereinafter – Confidential information).
- 4.2. The Clearing participant hereby represents and warrants
  - 1) that in connection with said consent he has not and shall not have any claims against the Exchange, including property claims, both at the time of accession to the Agreement, and in the future, and also agrees with the fact that the Exchange is not liable to him for the disclosure of Confidential information in accordance with requirements of laws of the Republic of Kazakhstan and internal documents of the Exchange.
  - 2) Confidential information of the Clearing participant in no way violates nor infringes on rights to intellectual property of third parties, including employees of the Clearing participant.

#### 5. NOTIFICATIONS

- 5.1. All notices and other communications under this Agreement shall be made in writing and delivered to the addresses of the Parties to this Agreement or by fax.

Any notice or other communication delivered by fax shall be confirmed by the subsequent delivery of the original notice or communication to the addresses of the Parties to this Agreement, within three business days after the date of delivery by fax.
- 5.2. Any notice or other communication delivered in writing to the addresses of the Parties to this Agreement or by fax shall be deemed as duly transferred, sent, received or delivered in all cases on the first business day after the date of delivery to the addressee.

The delivery of a notice or other communication in writing shall be confirmed by the receipt of this delivery and signed by the courier while the delivery by fax – by confirmation of transmission.

#### 6. SETTLEMENT OF DISPUTES

- 6.1. The disputes and disagreements between the Exchange and the Clearing participant arising from the clearing services provided by the Exchange in respect of transactions in financial instruments concluded by the Clearing participant in the trading system of the Exchange, as well as in relation to the determination and fulfillment of obligations by the Clearing participants and in connection with the conclusion of this Agreement shall be settled through negotiations.
- 6.2. In case of impossibility to reach an agreement by the parties, they shall settle differences and disputes in accordance with laws of the Republic of Kazakhstan.

#### 7. TERM OF AGREEMENT

- 7.1. This Agreement shall enter into force on the date of the decision made by the Exchange's Management Board to assign the clearing participant status.

A decision of the Exchange's Management Board to refuse a candidate the clearing participant status results in the nullity of this Agreement.
- 7.2. This Agreement shall be deemed terminated:

- 1) from the of the decision of the Exchange's Management Board to withdraw the clearing participant status;
  - 2) upon expiry of one month (30 calendar days) from the date of receipt by the Exchange of the notice from the Clearing participant on the unilateral refusal to execute the Agreement, provided there are no obligations unmet by the Clearing participant on transactions concluded on the Exchange and there is compliance with requirements stipulated by the Clearing Rules;
  - 3) upon expiry of 10 calendar days from the date of receipt by one of the Parties of the notice from the other Party on termination of the Agreement in accordance with item 3.3. of article 3 of this Agreement.
- 7.3. The termination of this Agreement shall not release the Parties from the obligations arisen prior to its termination.

## **8. FINAL PROVISIONS**

- 8.1. The terms of the agreement and subsequent amendments and/or additions thereto shall be defined by the Exchange independently and may only be accepted by the Clearing participant by accession to the Agreement as a whole.
- 8.2. The accession of the Clearing participant to the Agreement shall be made in accordance with the Regulations on clearing participants on the basis of a written application for assignment of the clearing participant status.
- 8.3. The Exchange may make amendments and/or additions to this Agreement in accordance with laws of the Republic of Kazakhstan with the mandatory release of these amendments and/or additions by way of posting the revised Regulations on clearing participants and/or amendments/additions to the indicated Regulations on the Exchange website ([www.kase.kz](http://www.kase.kz)).
- 8.4. The rights and obligations of the Parties under this Agreement cannot be assigned to third parties.
- 8.5. This Agreement shall be governed by the substantive law and laws of the Republic of Kazakhstan.
- 8.6. This Agreement was drawn up in accordance with laws of the Republic of Kazakhstan and the internal documents of the Exchange related to its clearing activities.

The Clearing participant hereby confirms that he is familiar with all internal documents of the Exchange posted on its website [www.kase.kz](http://www.kase.kz) and understands the meaning of all terms, conditions and requirements of its internal documents, and unconditionally agrees with all the above internal documents of the Exchange and their terms, conditions and requirements.

**Appendix 3**

to the Regulations on clearing participants

*(This Appendix was changed by a decision of the Exchange's Board of Directors dated September 7, 2018)*

**AMOUNTS OF GUARANTEE FEES  
to clearing guarantee funds of exchange markets (sections of markets)**

| Clearing guarantee funds          | Stock market  | Currency market  | Derivatives market                   |                                    |
|-----------------------------------|---|------------------|--------------------------------------|------------------------------------|
|                                   | Guarantee fund of the stock market in tenge <sup>10</sup> |                  | For sector of securities derivatives | For sector of currency derivatives |
| Amounts of minimum guarantee fees | 1,000,000 tenge   | 25,000,000 tenge | 1,000,000 tenge                      | 2,000,000 tenge                    |

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<sup>10</sup> For participation in trading in securities denominated in tenge.

**Appendix 4**

to the Regulations on clearing participants

[on a letterhead, with indication of the outgoing No. and date of application]

Kazakhstan Stock  
Exchange JSC

**APPLICATION**  
**for change of the clearing participant's category**

Hereby we ask Kazakhstan Stock Exchange JSC to change the category of the clearing participant **[full name of the clearing participant in accordance with the certificate of his state registration (most recent state re-registration)]** on **[indicate the exchange market]** from the category **[indicate the category]** to the category [tick]:

- "with partial security"
- "with full cover"

[Chief executive's position]

[signature]

[surname, initials]