

# KAZAKHSTAN STOCK EXCHANGE JSC

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## **Approved**

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

(meeting minutes  
No. 26 dated September 7, 2018)

## **Effective**

as of September 17, 2018 for the stock  
market;

as of October 1, 2018 for the foreign  
exchange and derivatives market

# **CLEARING RULES**

## **for transactions with financial instruments**

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city of Almaty

2018

## LIST OF AMENDMENTS

**1. Amendments and changes No. 1:**

- approved by the decision of the Board of Directors of the Kazakhstan Stock Exchange JSC (meeting minutes No. 37 dated December 12, 2018);
- effective as of December 3, 2018.

**2. Amendments and changes No. 2:**

- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 5 dated January 29, 2019);
- effective as of February 18, 2019.

**3. Amendments and changes No. 3:**

- approved by the decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 23 dated April 26, 2019);
- effective as of May 1, 2019.

**4. Amendments and changes No. 4:**

- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 26 dated May 28, 2019);
- effective as of May 29, 2019.

**5. Amendments and changes No. 5:**

- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 45 dated September 24, 2019);
- effective as of December 3, 2019.

These Rules have been drawn up pursuant to the Law of the Republic of Kazakhstan "On the Securities Market", Clearing Rules for Transactions with Financial Instruments approved by the Resolution No. 254 of the Management Board of the National Bank of the Republic of Kazakhstan dated October 29, 2018, the Requirements to the Risk Management System of a Clearing Organization, to the Terms and the Procedure for Monitoring, Control and Management of Risks in a Clearing Organization as approved by the Resolution No. 59 of the Management Board of the National Bank of the Republic of Kazakhstan dated February 24, 2012, the Requirements to the Risk Management System of a Central Counterparty, to the Terms and the Procedure for Monitoring, Control and Management of Risk in a Central Counterparty, as approved by the Resolution No. 11 of the Management Board of the National Bank of the Republic of Kazakhstan dated January 28, 2016 and internal documents of the Kazakhstan Stock Exchange JSC (hereinafter referred to as the Exchange) and determine the terms and procedure for clearing transactions with financial instruments by the Exchange (as these activities are determined in the Law of the Republic of Kazakhstan "On the Securities Market") and also set the rules for administration and operation of the risk management system of the Exchange as a clearing organization and the rules for performing functions of a central counterparty by the Exchange.

*(This preamble was changed by the decision of the Board of Directors of the Exchange of January 29, 2019)*

## Chapter 1. CLEARING ACTIVITIES OF THE EXCHANGE

### Article 1. Main definitions

1. These Rules shall use definitions and terms defined by the legislation of the Republic of Kazakhstan and other internal documents of KASE.
2. Other definitions used in these Rules mean the following:
  - 1) **margin call** is the requirement of the Exchange to a clearing member of the stock market with partial collateral to bring negative value of the single limit at its trading and clearing account used for transactions with the central counterparty to a non-negative value according to the procedure established by the specifics of the stock market under these Rules;
  - 2) **Bank-provider** is a bank-clearing member of the foreign exchange market determined by the Exchange Board as a party to transactions on the rollover or liquidation of positions for settling default;
  - 3) **exchange market** is a stock market, a foreign exchange market and the derivatives market that corresponds to the concepts set in this item;
  - 4) **Broker** is a legal entity defined by the internal document of the Exchange "Rules of Executing Exchange Activities" (further referred to as the Rules of Exchange Activities) and having the status of a clearing member;
  - 5) **foreign exchange market** is an organized foreign exchange market of the Exchange, the transactions on which are cleared by the Exchange in accordance with the Rules of Exchange Activities;
  - 6) **settlement day** is the day on which the Exchange settles obligations arising from certain financial instrument;
  - 7) **default** is a failure by a clearing member to perform its obligations (untimely or improper performance of obligations);
  - 8) **voluntary provider** is a clearing member of the stock market who has submitted a statement of consent to act as a party to the transactions with the central counterparty concluded by the Exchange on its behalf using the trading and clearing account specified in the statement as part of the procedure on rollover of positions according to the procedure defined by these Rules, if required securities recorded at such a trading and clearing account are in place;

- 9) "single limit" is the value expressed in tenge that measures adequacy of margin collateral on trading and clearing account (own or that of a client) of a clearing member, which is required for submission of orders and for concluding transactions "with partial collateral";
- 10) **custodian** is a legal entity defined by the Rules of Exchange Activities that has the status of a clearing member;
- 11) **clearing (clearing of transactions with financial instruments)** is the process of identifying, verifying and transmitting information about net and/or gross claims and/or liabilities of clearing members on transactions with financial instruments;
- 12) **clearing on a gross basis** is a process of determining the claims and obligations to be performed on each transaction concluded by a clearing member;
- 13) **clearing on a net basis** is the process of determining claims and/or obligations of clearing members to be performed arising from the netting of their transactions, as well as the preparation and transfer of documents (information) that are grounds for termination of claims and/or obligations on the concluded transactions, and the occurrence of claims and/or obligations on the results of netting of these transactions;
- 14) **clearing session** is a part of the Exchange's operating day, during which the Exchange clears on a net basis the results of transactions concluded at the exchange-based trades, forms clearing reports, as well as documents that are the basis for making settlements in accordance with the internal document of the Exchange "Clearing Regulations";
- 15) **clearing system** is a software and hardware complex of the Exchange, which is used for performing clearing activities and for performing functions of the central counterparty on transactions with financial instruments and is designed to automate actions to be performed by the Exchange as part of this activity;
- 16) **clearing unit** is a structural unit of the Exchange, the main function of which is to exercise actions necessary for the Exchange to clear transactions with financial instruments;
- 17) **clearing day** is the day on which the Exchange clears transactions with any financial instrument;
- 18) **clearing report** is a document provided by the Exchange to a clearing member that contains information about the obligations and claims of a clearing member arising from clearing, information on margin collateral or margin call (if any) and other information defined by these Rules;
- 19) **clearing account** is an account in the clearing system assigned to a clearing member, which is a set of certain records, set of accounts, information on the collateral, claims and obligations used for recording and controlling the collateral and/or execution of transactions/execution of transfers carried out in the trading/trading and clearing system of the Exchange using identical number of trading account or using trading and clearing account tied to that account;
- 20) **clearing member** is a legal entity that has concluded a clearing service agreement with the Exchange;
- 21) **clearing member without collateral** is a clearing member in the category "without collateral", who participates in trading without depositing collateral;
- 22) **clearing member with full coverage** is a clearing member in the category "with full coverage", who participates in the trading provided that it the obligations of the transactions concluded in the amount required for their

- performance in respect of those financial instruments, where these obligations fully arise until they are executed;
- 23) clearing member with partial collateral is a clearing member in the category "partial collateral", who participates in the trading provided that the control over adequate collateral formed in accordance with the procedure established by these Rules;
  - 24) **KASE correspondent account in the Central Depository** is a correspondent account of the Exchange in the Central Depository intended exclusively for depositing cash collateral and for making cash settlements and transactions with the central counterparty on the stock market in accordance with the internal document of the Exchange "The Rules for Making Monetary Settlements on Stock Market Transactions with the Central Counterparty" (hereinafter referred to as the Securities Settlement Rules);
  - 25) **margin collateral** means financial instruments in the settlement organization, which are the enforcement of execution of margin requirements imposed on a clearing member of the foreign exchange market and the derivatives market with partial collateral;
  - 26) **margin requirement** is the requirement of the Exchange to a clearing member of the foreign exchange market and derivatives market with partial collateral, which is presented in accordance with these Rules;
  - 27) **National Bank** refers to the state institution "National Bank of the Republic of Kazakhstan";
  - 28) **netting** means full or partial termination of claims and liabilities that are recorded at a particular clearing account arising from transactions with financial instruments by way of netting;
  - 29) **net liability** means a liability as the result of netting;
  - 30) **net position** means net claim and/or net liability;
  - 31) **net claim** means claim as the result of netting;
  - 32) **collateral** is money and/or securities in a settlement organization recorded as collateral for transactions concluded by a clearing member and as the performance of its net liabilities;
  - 33) **restrictive limit** is the restriction that the Exchange imposes on a single limit of a trading and clearing account, which does not allow making transactions that will result in its value being less than the restrictive limit;
  - 34) **Information Technology Unit** refers to the unit of the Exchange that develops, maintains and improves quality of operation of the Exchange's information system;
  - 35) **Risk Management Unit** is a division of the Exchange that conducts risk identification and assessment, as well as risk control and monitoring of the effectiveness of risk management methods;
  - 36) **position** is an obligation or claim arising from a transaction with a financial instrument, which is taken into account on a particular clearing account;
  - 37) **full coverage** is a condition for concluding transactions, whereby the availability of full collateral for the arising obligations in those financial instruments in which they arise until they are fulfilled, is checked;
  - 38) **a user of the Control and Security System** is a clearing member of the stock market, which is a custodian granted access to the **Control and Security System** in accordance with the Rules of Exchange Activities;
  - 39) **attribute "short selling ban"** is a restriction on a certain security/trading and clearing account/clearing member that does not allow posting orders on the stock market into the ASTS+ trading and clearing system that result in

- the lack of full collateral for obligations on the securities arising from the conclusion of deals;
- 40) **attribute "ban on unsecured purchases"** is a restriction that does not allow posting orders for concluding transactions in the stock market into the ASTS+ trading and clearing system that result in the lack of full collateral for money obligations in respect of particular currency/trading and clearing account/clearing member;
  - 41) **section of KASE** is a sub-account of the personal account of a clearing member of the stock market (client or own) in the accounting system of the Central Depository, which is intended for recording the securities used to securing and executing transactions with CCP on the relevant trading and clearing account (client or own); the securities from that account can be written off only after a positive check by the Exchange for the adequacy of the requirements to the collateral carried out in accordance with these Rules;
  - 42) **settlement unit** is a division of the Exchange, whose main function is to conduct settlements of transactions with financial instruments in the foreign exchange market and derivatives market, as well as cash settlements on the stock market;
  - 43) **modes "Transfers to settlements"** are the modes in the ASTS+ trading and clearing system established by the internal regulatory document "The lists of modes and transactions of the ASTS+ trading and clearing system" and used by the users of the Control and Security System for performing the functions of monitoring the purposeful placement of assets and transferring the performance of claims and obligations on the transactions concluded in the trading modes with CCP in the interests of the client of the user of Control and Security System;
  - 44) **modes "Transfers of collateral"** are the modes in the ASTS+ trading and clearing system established by the Exchange's internal document "The lists of modes and transactions of the ASTS+ trading and clearing system" and used for the purpose of transferring collateral in money or securities or setting collateral limits on money or securities on trading and clearing accounts (segregation/aggregation of financial instruments);
  - 45) **modes with CCP** – as such regimes are defined by the internal regulatory document "The lists of modes and transactions of the ASTS+ trading and clearing system" using which the transactions are concluded, where the Exchange acts as a central counterparty;
  - 46) **derivatives market** is an organized market of derivative financial instruments of the Exchange, the transactions on which are cleared by the Exchange in accordance with the Rules of Exchange Activities;
  - 47) **transactions without CCP** are transactions defined by the Rules of Exchange Activities, in respect of which the Exchange does not act as a central counterparty;
  - 48) **transactions with CCP** are the transactions defined by the Rules of Exchange Activities, in respect of which the Exchange acts as a central counterparty;
  - 49) **Accounts of guarantee contributions** are the accounts/sub-accounts for recording guarantee contributions in the internal accounting system of the Exchange that are opened to a clearing member in accordance with the internal document "The Rules of Internal Accounting of Money and in Settlement Paperwork during Exchange-based Trading" and are intended for recording the money transferred by a clearing member to pay guarantee contributions to the guarantee funds of the exchange markets in accordance with these Rules;
  - 50) **collateral accounts** are accounts/sub-accounts of a clearing member in the Exchange's internal accounting system in tenge or foreign currency that

are opened in accordance with the internal document "The Rules of Internal Accounting of Money and in Settlement Paperwork during Exchange-based Trading" and are intended for recording the money transferred for the purpose of fulfilling its net obligations and margin collateral in the foreign exchange market and derivatives market or that are opened in accordance with the internal document "Rules for Cash Settlements on Transactions with the Central Counterparty in the Stock Market" and are intended recording the collateral and for fulfilment of net obligations and net claims on the stock market;

- 51) **trading unit** refers to the unit of Exchange, which organizes and conducts trades;
- 52) **trading and clearing account** is an account in the Exchange's trading/trading and clearing system that represents itself a package of a trading account and a clearing account with the same numbers that ensure the execution, recording and control of transactions and/or operations carried out using such trading account;
- 53) **financial instrument** means money (tenge, foreign currency), securities, including derivative securities, as well as other financial instruments, the transactions with which are cleared by the Exchange;
- 54) **stock market** is an organized securities market of the Exchange, the transactions on which are cleared by the Exchange in accordance with the Rules of Exchange Activities;
- 55) **Central Depository** is the Central Securities Depository, which carries out transactions related to the performance of obligations on the transfer of securities following clearing;
- 56) **central counterparty** is a legal entity that is a party to transactions with financial instruments concluded by clearing members or their authorized trading participants in the Exchange's trading system;
- 57) **partial collateral** is a condition for making deals with CCP, which monitors the adequacy of collateral until fulfilment of their obligations in accordance with these Rules.

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

3. The terms defined in these Rules can also be used in other internal documents of the Exchange, in the official documentation and correspondence of the Exchange and market data in respect of the transactions cleared by the Exchange. Unless the context of these Rules otherwise requires, the words in the singular include the plural and vice versa, and the reference to a word of some gender includes a reference to words pertaining to all other genders.

## **Article 2. General Provisions on Clearing Activities**

1. The Exchange conducts clearing activities acting as a central counterparty and not acting as a central counterparty in relation to those transactions defined by the Rules of Exchange Activities.
2. Clearing on a net basis is done on transactions with CCP, clearing on a gross basis is done on transactions without CCP taking into account the specifics established for certain exchange markets by these Rules.
3. The procedure for assigning, withdrawal and restoration of the status of a clearing member, the procedure for establishing a category for a clearing member, the requirements for organizations applying for the status of a clearing member, requirements for establishing the category of a clearing member, the rights and responsibilities of a clearing member, the liabilities of clearing members and the

Exchange were determined by the internal document of the Exchange "Regulations on Clearing Members" (hereinafter referred to as the Regulations).

4. The method of securing the performance of obligations arising from transactions with CCP is determined based on the type of category assigned to a clearing member of a particular exchange market by the Exchange's Management Board in accordance with the Regulation, as well as the specifics established for a certain financial instrument in accordance with item 7 of this article.

The method of securing the performance of obligations arising from the transactions without CCP is determined in accordance with the specifics of a certain exchange market.

5. The category "without collateral" on all exchange markets is assigned to the National Bank, which is the central bank of the Republic of Kazakhstan and represents the upper (first) tier of the banking system.
6. The exchange of electronic documents between clearing members and the Exchange is carried out through the eTransfer.kz electronic document exchange system.
7. The Exchange trades and clears transactions with CCP with partial collateral for clearing members taking into account the following specifics:

- 1) admission of a financial instrument to trading on the foreign exchange and stock markets on the conditions of partial collateral is set for financial instruments included in the List T+.

The financial instruments accepted as collateral for transactions on the conditions of partial collateral are the financial instruments included in the Collateral List T+.

The procedure for including/excluding financial instruments from the List T+ and the Collateral List T+ is conducted based on the decision of the Exchange's Management Board in accordance with the internal document of the Exchange "The procedure for including financial instruments in the List T+ and the Collateral List T+" (further referred to as the Procedure for Including FI).

The attribute "short selling ban" may be established for any financial instrument on the List T+ based on the Committee's decision.

The above lists are reviewed on a regular basis and published on the Exchange's website ([www.kase.kz](http://www.kase.kz));

- 2) in the stock market, the method of securing the performance of obligations arising from transactions with CCP is defined by the settlement code set for a certain trading mode, according to which securities are traded, depending on whether or not certain securities are included in the List T+.

For securities not included in the List T+, the settlement code for the modes in which they are traded corresponds to the condition of the full coverage of liabilities (the settlement code T).

For securities included in the List T+, the settlement code for the modes in which they are traded corresponds to the condition of partial coverage of liabilities (the settlement code Y). With regard to securing liabilities for securities traded in the settlement code Y mode, attribute "short selling ban" may be established.

For a security included in the List T+, the settlement code T may be set for certain modes providing for full coverage of obligations on transactions.

The trading modes with CCP, in which the transaction with certain securities with indication of the method of securing the performance of obligations were made (settlement codes) applied to such a mode, are defined by the internal regulatory document "The lists of modes of ASTS+ trading and clearing system".



In the stock market, the method of securing the performance of obligations on the transactions without CCP is determined by the internal documents of the Exchange "Regulation on settlement of transactions with securities under the T+0 scheme with full collateral (gross settlements)", "The procedure for making transactions with government securities under the T+2 scheme" and "The Rules of REPO transactions" (further referred to as the Rules T0).

In the foreign exchange market, the method of securing the performance of obligations on all foreign currency transactions in the List T+ is carried out on the conditions of partial collateral.

8. Clearing on a net basis is done automatically using clearing system during the clearing session, and clearing based on a gross basis is done automatically using clearing system based on each transaction concluded during trading.
9. The procedure for conducting clearing sessions is determined by the internal document of the Exchange "Regulation of Clearing Activities" (further referred to as the Regulation).
10. The procedure for clearing on a gross basis is determined by the Rules T0.
11. The procedure for forming and using collateral of clearing members and the procedure for forming, using and restoring clearing funds (guarantee and reserve funds) is set by Chapters 2 and 3 of these Rules.
12. The Exchange has the right to invest the money that make up the collateral of clearing members and clearing funds (guarantee and reserve funds) in accordance with appendices 2, 3 and 4 to the internal document of the Exchange "Asset Investment Policy" published on the Exchange's website ([www.kase.kz](http://www.kase.kz)).
13. The proceeds from the investment of money that make up the collateral of clearing members and clearing guarantee funds are not accrued and are not paid to clearing members.
14. The Exchange performs functions of a central counterparty in respect of all transactions with financial instruments traded at the derivatives market and foreign exchange market. In respect of stock market transactions, the Exchange acts as a central counterparty for transactions made in the trading modes with CCP and does not act as a central counterparty for transactions without CCP defined in accordance with the Rules of Exchange Activities.
15. Special aspects of clearing activities of the Exchange on particular exchange markets are described in Chapter 4, 5, 6 of these Rules.
16. These Rules are published on the Exchange's website ([www.kase.kz](http://www.kase.kz)) and are available to all clients of the Exchange and other stakeholders.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

### **Article 3. Execution of functions of a central counterparty by the Exchange**

1. The Exchange is guided by the following principles when performing the functions of a central counterparty:
  - 1) use of reliable risk management system;
  - 2) improving market efficiency, including:
    - reducing expenses of clearing members, including the use of netting mechanism;
    - guaranteed performance of obligations on the transactions with CCP concluded by clearing members, taking into account the limitation of the Exchange's liability established by these Rules;

transparency of actions based on which each clearing member can independently assess the risks of transactions with the Exchange as a central counterparty.

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

2. An open offer mechanism, which is a way of fulfilling contractual obligations on concluded transactions by automatically incorporating a central counterparty into the transaction, is applied to the transactions with CCP. Thus, after the conclusion of the transaction, the Exchange performing the functions of the central counterparty, automatically (this item was changed by the decision of the Board of Directors of the Exchange of September 24, 2019):
  - 1) becomes a counterparty in this transaction being a seller for each buyer and a buyer for each seller;
  - 2) acquires a special right by its actions to create responsibilities for clearing members, including the acceptance and execution by a clearing member of obligations arising from all transactions (including liabilities arising from novation) concluded on its behalf by the Exchange as part of default settlement procedures in accordance with the requirements of these Rules and other internal documents of the Exchange.
3. The open offer is considered to be accepted by a clearing member from the date when the decision to assign the status of a clearing member of a certain exchange market comes into effect in accordance with the requirements of the internal documents of the Exchange (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
4. The Exchange uses a risk management system, the conditions and procedures of which are set by Chapters 2 and 3 of these Rules as part of its functions as the central counterparty (this item is included by the decision of the Board of Directors of the Exchange of September 24, 2019).

#### **Article 4. Clearing accounts**

1. The Exchange opens clearing accounts for a clearing member based upon the application for the status of a clearing member in accordance with the internal document of the Exchange "Guidelines on the procedure for encoding members of the Kazakhstan Stock Exchange JSC, their accounts, financial instruments and issuers of securities".
2. The Exchange performs clearing, keeps record of collateral, transactions, positions and net positions of clearing members in the clearing system in terms of own and client clearing accounts.
3. In the foreign exchange market, a clearing member opens one own clearing account and one aggregated client clearing account that coincide with the numbers of open trading accounts, which together constitute a trade and clearing account based on the application for the status a of clearing member of the foreign exchange market.

In the derivatives market, a clearing member opens one own clearing account and one or unlimited number of segregated client clearing accounts that coincide with the numbers of relevant open trading accounts, which together constitute a trade and clearing account based on the application for the status a of clearing member of the derivatives market.
4. At the stock market, clearing and trading and clearing accounts are opened and closed in accordance with the established specifics of the stock market.
5. The closing of clearing accounts of a clearing member of the foreign exchange market and the derivatives market is done in accordance with the application of a clearing member of the foreign exchange market or the derivatives market.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

**Article 5. Determining net positions of clearing members**

1. The clearing system implements netting and determines net positions on clearing accounts (own and client) of clearing members on the result of each clearing session conducted in accordance with the Regulations (this item has been amended by the decision of the Board of Directors of the Exchange of September 24, 2019).
2. To determine net positions on the clearing account (own or client) of the clearing participant, the clearing system executes netting of claims and liabilities on transactions with financial instruments recorded in this clearing account.
3. The claims and liabilities on the transactions specified in item 2 of this article must meet the following conditions for the purpose of netting:
  - 1) they must be expressed in the financial instruments of one and the same name or in one;
  - 2) they must have the same date of execution.
4. When determining net position of a clearing account (own and client) of a clearing member, the Exchange has the right to increase/decrease net position of the current settlement date by the amount of outstanding liabilities/claims in this account, the execution term of which has come before this settlement date
5. When determining net claims or net liabilities on a clearing account (own and client) of a clearing member, the Exchange has the right to increase/decrease these net positions by way of netting conducted with relevant financial instruments available on the collateral accounts of relevant clearing account, as well as on the accounts of guarantee contributions of a clearing member, to whom this clearing account belongs to, according to the procedure established in these Rules.

**Статья 6. Verification and adjustment of information**

1. The information on transactions with CCP concluded by clearing members on exchange markets is verified and adjusted in the following order:
  - 1) By the Exchange during the clearing session;
  - 2) by clearing members when receiving clearing reports.
2. After receiving clearing reports on clearing session results, clearing members verify information provided in the reports using own resources, and if there are any comments on this information, they shall send these comments to the Exchange within the timeframe set by the specifics of the exchange markets.
3. If the Exchange agrees with the comments of clearing members, the Exchange shall accordingly eliminate the discrepancies found in clearing reports on clearing session results and shall send the adjusted reports to clearing members.

Clearing report on clearing session results with a later date and time will be considered to be the right report.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

**Article 7. Settlements**

1. Settlement organizations are:

- the Central Depository – on the stock market, in respect of the execution of claims and obligations on securities on all transactions and in respect the of execution of cash claims and cash liabilities on transactions without CCP;
  - the Exchange – on the foreign exchange, derivatives markets and the stock market related to the execution of cash claims and obligations on the transactions with CCP.
2. Settlements on the stock market on transactions with CCP are carried out in accordance with these Rules, internal document of the Exchange "The Rules for Execution of Settlements of Trading on the Stock Market" (hereinafter referred to as the Securities Settlement Rules), a set of rules of the Central Depository, in the mode of "delivery vs. payment" that stipulates fulfilment of claims for money and (or) securities subject to complete discharge of counter-obligations on money and (or) securities and also provided that the requirements to collateral for outstanding obligations are met for a particular clearing session on a particular clearing account (own or client).
  3. Settlements on the stock market for transactions without CCP are made in the "delivery vs. payment" mode, which provides for execution of a clearing member's claims for each transaction without CCP, subject to the execution of the counter-obligation under this transaction.

The mode "delivery vs. payment" in the stock market for transactions without CCP is provided by the Central Depository in accordance with the Rules T0 and the rules of the Central Depository.

4. In the foreign exchange market, the settlements are made in the mode "payment vs. payment", which means that the Exchange's execution of the clearing member's net claim is possible only after full performance of the clearing member's obligations to the Exchange with current settlement date.
5. A clearing member of the foreign exchange market credits the money to fulfil net obligations and collateral obligations pursuant to the procedure and within the timeframe established by internal document of the Exchange "Settlement Rules for Foreign Exchange Trading Results" (hereinafter referred to as the Currency Settlement Rules), to the correspondent accounts of the Exchange published on the website of the Exchange ([www.kase.kz](http://www.kase.kz)).
6. A clearing member of the derivatives market carries out settlements with the Exchange in accordance with the internal document of the Exchange "Settlement Rules for Trades in the Derivatives Market" taking into account the features of the derivatives market established by these Rules.
7. A clearing member of the stock market credits financial instruments to perform net obligations and obligations on the collateral to the following accounts and account sections:
  - on the transactions with CCP, the securities are credited to the KASE section in the Central Depository, money is credited to the correspondent account of KASE in the Central Depository;
  - on the transactions without CCP: securities are credited to the main section of the personal account in the Central Depository, money is credited to the bank account in the Central Depository (for a clearing member – Broker) and to the correspondent account in KCIS (for a clearing member – Bank).
8. The Exchange records the money credited by clearing members as collateral and fulfilment of obligations on clearing members' transactions in all exchange markets on collateral accounts, the money credited by clearing members as guarantee contributions of a clearing member in all exchange markets on the accounts of guarantee contributions opened by a clearing member in the internal accounting system of the Exchange broken down by exchange markets, own or client accounts of a clearing member, currencies, type of collateral in accordance with the internal document of the Exchange "The Rules of Internal

Accounting of Money and in Settlement Paperwork during Exchange-based Trading".

9. The features of exchange markets defined by chapters 4, 5 and 6 of these Rules may include:
  - 1) refusal to fulfill net obligations and net claims on transactions without CCP and other obligations in the manner specified by the Rules T0;
  - 2) early termination of net obligations and net claims of a clearing member in the manner specified by the Rules T0 and internal document of the Exchange "The Procedure for Executing Deals on the Stock Market in the ASTS+ Trading and Clearing System".

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

## **Chapter 2. RISK MANAGEMENT SYSTEM**

### **Article 8. General provisions on risk management system**

1. This chapter establishes general terms and procedures for the operation of the risk management system of the Exchange exclusively as a clearing organization that performs CCP functions on the transactions with CCP. The terms and procedure for the operation of the risk management system of the Exchange as a legal entity, trades organizer, an organization carrying out certain types of banking transactions are specified in other internal documents of the Exchange *(this item was changed by the decision of the Board of Directors of the Exchange of September 24, 2019)*.
2. Risk management system of the Exchange includes the following elements:
  - 1) requirements for the financial position of clearing members;
  - 2) the system for determining risk parameters of financial instruments;
  - 3) open position limits of clearing members in certain exchange markets;
  - 4) control of the adequacy of collateral/margin collateral of clearing members with partial collateral;
  - 5) control of full coverage of emerging liabilities for clearing members with full coverage;
  - 6) revaluation of the cost of collateral/margin collateral and net positions of a clearing member with partial collateral;
  - 7) requirements for a financial instrument to be admitted to transactions with partial collateral;
  - 8) clearing reserve funds;
  - 9) clearing guarantee funds;
  - 10) control of the adequacy of guarantee contributions of clearing members;
  - 11) restriction of the Exchange's liability in the cases when net obligations on cleared transactions are not executed.

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

3. The availability and principles of the risk management system in any exchange market are determined taking into account features of this market established by these Rules.

4. The purpose of the collateral charged by the Exchange for securing obligations of clearing members arising from the transactions with CCP is to cover credit and market risks (*this item was changed by the decision of the Board of Directors of the Exchange on December 12, 2018 and September 24, 2019*).
5. Credit risk assessment is carried out by monitoring the financial condition of a clearing member in order to determine compliance with the requirements set by the Regulation in order to assign a clearing member a category that determines the method of securing performance of obligations on transactions on a particular exchange market (trading modes of the exchange market) (*this item has been changed by the decision of the Board of Directors of the Exchange of December 12, 2018 and September 24, 2019*).
6. The list of categories of clearing members for each stock market is defined by the Regulation.
7. Elements of risk management listed in sub-items 2)–7) of item 2 of this Article are intended for coverage of market risks in normal market conditions.

Normal market conditions mean conditions under which a two-day change in prices of financial instruments is an amount not exceeding the rate of initial margin on these financial instruments established by the Exchange in accordance with Article 12 of these Rules.

8. Elements of risk management listed in sub-items 8)-11) of item 2 of this Article are intended for coverage of market risks, liquidity risks as well as inherent risks in the conditions of higher volatility of prices of financial instruments.

Conditions of higher volatility of prices of financial instruments mean conditions under which a two-day change in prices of financial instruments makes up values exceeding the rates of initial margin on these financial instruments.

9. As a guarantee of performance of obligations of a clearing member with partial collateral on the transactions concluded on the terms of partial collateral, the Exchange sets requirements for partial collateral for net obligations of a clearing member arising from conclusion of transactions calculated in accordance with these Rules, as well as guarantee funds.

As a guarantee of performance of obligations of a clearing member with partial collateral on the transactions concluded on full coverage terms, the Exchange sets requirements for full coverage of net obligation arising from conclusion of transactions

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

10. As a guarantee of performance of clearing participants' obligations with full coverage, the Exchange sets requirements for full coverage of net obligations on all transactions and orders, which result in the maximum value of net liabilities of such clearing member (this item was changed by the decision of the Board of Directors of the Exchange of September 24, 2019).

11. To cover market risks, a clearing member with partial collateral must:

- 1) comply with the requirements to partial collateral in accordance with the specifics of the exchange markets established by these Rules;
- 2) ensure that guarantee contributions to the guarantee funds of relevant exchange market are available in the amount set by the Regulation.

*(This item was changed by the decision of the Exchange's Board of Directors of December 12, 2018 and September 24, 2019)*

12. In order to cover the credit risk, a clearing member with full coverage must ensure that financial instruments are available on the collateral accounts in the amount of the maximum value of settlement net obligations that arise from the concluded transactions with all settlement dates and those orders submitted to

the trading system, the execution of which will lead to their maximum value. The collateral should be formed in those financial instruments in which these obligations arise (this item was changed by the decision of the Board of Directors of the Exchange of September 24, 2019).

13. A clearing member without collateral does not provide collateral and does not pay guarantee contributions.
14. The Exchange has the right to set the attribute "short selling ban" on any securities and/or the attribute "ban on unsecured purchases" on the stock market in respect of any currency for transactions made from all clearing accounts of clearing members at any given time in accordance with the Committee's decision, taking into account the features of the stock market established by these Rules (this item is included by the decision of the Board of Directors of the Exchange of September 24, 2019).
15. The stock market exchange has the right to set a limit on the minimum permissible value of a single limit, the value of net positions on any financial instrument on a trading and clearing account for transactions with partial collateral, taking into account the features of the stock market, established by these Rules (this item is included by the decision of the Board of Directors of the Exchange of September 24, 2019).

**Article 9. Partial collateral**

1. A clearing member with partial collateral must form collateral for concluded but unsettled transactions with CCP, as well as on submitted orders for making transactions with CCP on the terms of partial collateral:
  - 1) on the stock market in the amount in which the value of a single limit calculated in accordance with the features of the stock market set by Chapter 4 of these Rules is not negative, in respect of the trading and clearing account from where the transactions with partial collateral are made;
  - 2) on the foreign exchange market in the amount of margin requirements in accordance with the features of the foreign exchange market established by Chapter 5 of these Rules;
  - 3) on the derivatives market in the amount of the maintenance margin in accordance with the features of the derivatives market established by Chapter 6 of these Rules;
2. The list of financial instruments accepted as collateral for transactions with partial collateral in a particular exchange market is determined by the Collateral List T+ established in accordance with the Procedure for Including FI.
3. The revaluation of the financial instruments that make up the collateral of a clearing member on the transactions with partial collateral is conducted at least every day of settlement.
4. The procedure for calculating margin requirements that determine the size of required margin collateral for coverage of market risk of the change of value of net obligations of a clearing member of the foreign exchange market on concluded but unsettled transactions, as well as on the orders submitted to the trading system, is determined taking into account the features of the foreign exchange market established by these Rules.
5. The procedure for calculating maintenance margin, which determines the size of the required margin collateral for coverage of market risk of the change of value of net obligations of a clearing member of the derivatives market on concluded transactions, as well as on the orders submitted to the trading system is determined by taking into account the features of the derivatives market established by these Rules.



6. The procedure for calculation of the single limit, which is used for controlling the sufficiency of collateral for transactions with partial collateral on the stock market is determined taking into account features of the stock market.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

**Article 10. The settlement price of a financial instrument**

*(This heading was changed by the decision of the Exchange's Board of Directors of December 12, 2018)*

1. The settlement price of a financial instrument is a risk parameter and is calculated in order to determine the market value of the financial instrument, to calculate margin requirements, to calculate the adequacy of collateral for transactions with partial collateral (this item was changed by the decision of the Board of Directors of the Exchange of September 24, 2019).
2. The settlement prices of financial instruments are determined:
  - 1) for the stock market on a daily basis or otherwise according to the internal document of the Exchange "Methodology for Securities Valuation";
  - 2) for the foreign exchange market are calculated online during the trading session in accordance with the internal document "Methodology for Calculation of Risk Parameters of Financial Instruments" (hereinafter referred to as the- Methodology);
  - 3) for the derivatives market on a daily basis according to the with the Methodology.

**Article 11. The Rate of the Price Change Limit for a Financial Instrument**

1. The rate of the price change limit for financial instruments is a risk parameter and is designed for managing market risks emerging due to the fluctuation of prices of financial instruments of the foreign exchange market and the derivatives market *(this item was changed by the decision of the Board of Directors of the Exchange of September 24, 2019)*.
2. The rate of the price change limit for a financial instrument means the maximum permissible deviation of the price of the financial instrument indicated in the order from the settlement price of that financial instrument fixed at the end of the previous clearing day.
3. The rates of the price change limit for financial instruments are calculated on a monthly basis, not later than the 15th calendar day of each calendar month, and approved by a decision of the Market Risk Committee (hereinafter referred to as the Committee) and published on the Exchange's website ([www.kase.kz](http://www.kase.kz))

The rates indicated in the first paragraph of this item are calculated based on data on fluctuations of historical prices of the financial instrument in accordance with the Methodology.
4. The procedure for setting/changing price limits of financial instruments of a certain exchange market is determined by the features of the relevant exchange market of these Rules.

**Article 12. Initial Margin Rate of a Financial Instrument**

*(This heading was changed by the decision of the Exchange's Board of Directors of December 12, 2018)*

1. The initial margin rate of a financial instrument is a risk parameter and is designed to estimate the size of the market risk of a change in the price of the



financial instrument, the transactions with partial collateral with which are cleared (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).

2. The initial margin rate of a financial instrument is expressed in percentage and is used in calculating the adequacy of collateral and in calculating a single limit on a particular exchange market (this item was changed by the decision of the Board of Directors of the Exchange of September 24, 2019).
3. The initial margin rates of financial instruments are calculated monthly, no later than the 15th calendar day of each calendar month, approved by the Committee's decision and published on the Exchange's website ([www.kase.kz](http://www.kase.kz)) (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
4. The calculation of the initial margin rates of financial instruments of exchange markets is carried out in accordance with the Methodology.

**Article 13. Concentration Limit on a Financial Instrument**

1. The concentration limit on a financial instrument is designed to assess the maximum position of a clearing member in a certain financial instrument, which can be eliminated during an established period of time without significant impact on the price of the financial instrument.
2. The concentration limit is a value determined in the number of financial instruments.
3. The concentration limits on financial instruments are calculated monthly no later than the 15th calendar day of each calendar month, approved by the Committee's decision and published on the Exchange's website ([www.kase.kz](http://www.kase.kz))
4. Concentration limits are calculated in accordance with the Methodology.

**Article 14. Concentration Rate of a Financial Instrument**

1. The concentration rate of a financial instrument is a risk parameter and is designed to assess the market risk of a change in the price of a financial instrument when liquidating its open position in the amount greater than the concentration limit set for this financial instrument (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
2. Concentration rate of a financial instrument is expressed in percentage and is used in the calculation of the adequacy of collateral and in the calculation of a single limit (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018 and September 12, 2018).
3. Concentration rates of financial instruments are calculated monthly, no later than the 15th calendar day of each calendar month, approved by the Committee's decision and published on the Exchange's website ([www.kase.kz](http://www.kase.kz)) (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
4. Concentration rates are calculated in accordance with the Methodology (this item has been amended by the decision of the Board of Directors of the Exchange of December 12, 2018).

**Article 15. The rate of interest rate risk of a financial instrument**

1. The rate of the interest rate of a financial instrument is a risk parameter and is designed to assess the market risk of a change in the difference in interest rates

of the underlying financial instrument and estimated financial instrument for various periods.

The rates of interest rate risk of the financial instrument determined in accordance with the Methodology are set by the Committee for key periods.

The rates of interest risk rates for each settlement date are calculated in accordance with the Methodology (this item was changed by a decision of the Exchange's Board of Directors of January 29, 2019).

2. The rates of interest rate risk of the financial instrument are expressed in percentage and are used in the calculation of the adequacy of collateral for transactions with partial collateral on the foreign exchange and stock markets (this item was changed by the decision of the Board of Directors of the Exchange of January 29, 2019 and September 24, 2019).
3. To assess the interest rate risk of an open net position in the amount greater than the concentration limit set for this financial instrument, interest risk rates at concentration are applied (this item has been amended by the decisions of the Board of Directors of the Exchange of December 12, 2018 and January 29, 2019).
4. The rates of interest rate risk and the rates of interest rate risk at concentration on particular financial instruments for the established key terms are calculated monthly, no later than the 15th calendar day of each calendar month, approved by the Committee's decision and published on the Exchange's website ([www.kase.kz](http://www.kase.kz)) (this item was changed by the decisions of the Board of Directors of the Exchange of December 12, 2018 and January 29, 2019).
5. The calculation of interest risk rates and interest risk rates at concentration of financial instruments is carried out in accordance with the Methodology.

**Article 16. Open position limits of clearing members**

1. Open position limits of clearing members are designed for restricting the maximum volume of net positions of clearing members for the purposes of minimizing the risk of failure of clearing members to fulfill net obligations.
2. Open position limits of clearing members are determined in money terms in accordance with the features of exchange markets specified in these Rules

**Article 17. Clearing Funds**

1. Clearing fund in a certain exchange market consists of the following types of funds:
  - 1) clearing guarantee fund (hereinafter referred to as the guarantee fund);
  - 2) clearing reserve fund (hereinafter referred to as the reserve fund);
2. The guarantee fund is formed at the expense of guarantee contributions credited by clearing members to the correspondent account of the Exchange.

The reserve fund is formed at the expense of the Exchange's own funds in the national currency in a manner defined by these Rules.
3. In a certain exchange market, separate guarantee funds may be created to cover outstanding obligations for financial instruments concluded in certain trading modes (*this item was changed by the decision of the Exchange's Board of Directors of December 12, 2018 and September 24, 2019*).
4. The total size of clearing funds of a certain exchange market is calculated in such a way as to cover possible losses from changes in the market prices of the financial instruments of this exchange market, which may arise in the case of non-performance of net obligations by two clearing members with the largest

volume of these obligations (this item was changed by the decision of the Board of Directors of the Exchange on December 12, 2018 and September 24, 2019).

5. The methodology for calculating the size of clearing funds and guarantee contributions in clearing guarantee funds is established by the internal document of the Exchange "Methodology for Determining the Size of Clearing Funds".
6. The adequacy of clearing funds is assessed at least once a year as well as when clearing funds are used to settle a default.
7. The decision to change the size of reserve funds and the amount of guarantee contributions to guarantee funds is made by the Board of Directors of the Exchange based on the assessment of the adequacy of clearing funds in accordance with the internal document of the Exchange "Methodology for Determining the Size of Clearing Funds".
8. Information about the size of formed clearing funds for each exchange market is published on the Exchange's website (www.kase.kz) (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
9. Reserve funds are used exclusively to cover outstanding obligations on transactions with financial instruments of a certain exchange market for which this reserve fund was formed (this item was changed by the decisions of the Board of Directors of the Exchange of December 12, 2018, from May 28, 2019 and September 24, 2019).
10. Guarantee funds may not be used as collateral for the performance of any other obligations of the Exchange and/or its clearing members in addition to the obligations on transactions concluded on the exchange market as part of the settlement of default (this item was changed by the decisions of the Board of Directors of the Exchange of December 12, 2018 and May 28, 2019).
11. The procedure for using clearing funds was established in Article 27 of these Rules.

**Article 18. The Procedure for Depositing and Returning Guarantee Contributions to Clearing Funds**

1. Guarantee contributions to clearing guarantee funds are made by clearing members with partial collateral.
2. The amount of guarantee contributions and the currency, in which the guarantee contribution is made to a certain guarantee fund, are set by Appendix 3 of the Regulations.
3. Information on the amount of the guarantee contribution required to be paid to a certain guarantee fund and/or required for its recovery is indicated in the clearing member's report and sent to it upon completion of the clearing session.
4. *(This item was excluded by the decision of the Exchange's Board of Directors of December 12, 2018);*
5. A clearing member with partial collateral must make a guarantee contribution to the guarantee fund of the exchange market, where such a clearing member intends to make transaction with partial security, at least by the beginning of trading day (this item was changed by the decision of the Board of Directors of the Exchange on December 12, 2018 and September 24, 2019).
6. A clearing member with partial collateral must make a guarantee contribution in order to restore it to any clearing guarantee fund if the resources of this fund were used to settle the default within the timeframe set by Article 28 of these Rules.

The amount of the guarantee contribution to be made in order to restore the clearing guarantee fund in accordance with the first paragraph of this item is indicated in a clearing report of a clearing member.

7. Guarantee contributions are credited by a clearing member to the correspondent accounts of the Exchange at the National Bank. The list of correspondent accounts of the Exchange is published on the Exchange's website ([www.kase.kz](http://www.kase.kz)).
8. For the purposes of separate internal accounting of money coming into the Exchange's correspondent account from clearing members as guarantee contributions, clearing members must specify special codes in payment documents that indicate the type of payment and identify particular exchange market on which a guarantee fund is formed. The list of such codes is published on the Exchange's website ([www.kase.kz](http://www.kase.kz)) (this item was changed by a decision of the Exchange Board of Directors of December 12, 2018 and September 24, 2019).
9. The Exchange returns guarantee contribution to a clearing member on the basis of an application made according to Appendix 3 to these Rules in the following cases (subject to the conditions set by item 10 of this article):
  - 1) when a category of a clearing member "with partial collateral" changes to the category "with full coverage";
  - 2) when a clearing member is deprived of its status in a certain exchange market;
  - 3) when a clearing member voluntarily renounces its status.
10. The Exchange shall return to a clearing member its guarantee contribution to the guarantee fund if the clearing member does not have any outstanding obligations on transactions concluded on the exchange market (this item was changed by the decisions of the Board of Directors of the Exchange of December 12, 2018 and May 28, 2019):
  - 1) transactions with financial instruments with an undue settlement date;
  - 2) outstanding obligations on transactions with financial instruments with due settlement date.
11. Suspension of membership of a clearing member, suspension of its admittance to trading in financial instruments, suspension of clearing services shall not be the grounds for returning guarantee contributions to a clearing member.

### **Chapter 3. DEFAULT SETTLEMENT PROCEDURE**

*(This heading was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

#### **Article 19. Recognition of a Clearing Member as Unscrupulous**

1. The Exchange shall recognize a clearing member of a particular exchange market as unscrupulous in the event of any of the following cases:
  - 1) there is no required number of financial instruments in the accounts of a clearing member in the settlement organization for fulfilling its net obligations on the transactions with CCP by the day of settlements established in accordance with the features of a certain exchange market of these Rules and/or if net obligations cannot be performed for other reasons in accordance with the specifics of a certain exchange market of these Rules (further referred to as the default on net obligations);
  - 2) there is no margin collateral in the amount of margin requirements on collateral accounts of a clearing member in the settlement organization in

- the foreign exchange market or derivatives market or margin-call requirement has not been fulfilled by the deadline set in accordance with the specifics of a certain stock market of these Rules (further referred to as default on margin);
- 3) the Exchange's requirement to provide additional clearing guarantee contributions by the deadline set in accordance with features of a certain exchange market of these Rules (further referred to as default on a guarantee contribution);
  - 4) the Management Board of the Exchange made decision to suspend clearing service for a clearing member in the relevant exchange market in the event of non-payment, late or incomplete payment of clearing fees, membership fees, fines/failures and other applicable sums in accordance with these Rules, internal document of the Exchange "Regulations on membership fees, exchange fees and clearing fees" and other internal documents of the Exchange.
  - 5) there is no necessary number of financial instruments in the accounts of a clearing member in the settlement organization to perform its obligations on transactions without CCP at the time of settlement (hereinafter referred to as the default on transactions without CCP).
2. Recognition of a clearing member as unscrupulous is carried out subject to the following conditions:
    - 1) clearing unit does not have the information that constitutes a basis for a clearing member to be declared insolvent under items 2)-7) of item 20 of Article 20 of current Rules;
    - 2) the number of days during which a clearing member defaults on net money obligations on a particular clearing account does not exceed two settlement days in a row, and the default on obligations on the securities do not exceed four days in a row (including default of the current day);
    - 3) other conditions in accordance with features of a certain exchange market determined by these Rules.
  3. The Management Board of the Exchange has the right to make decision to increase the number of settlement days during which a clearing member may default on net obligations on a particular clearing account in accordance with sub-item 2 of this article based on the information indicating the possibility of performing unfulfilled net obligations by an unscrupulous clearing member in the nearest time in the short term in the case of default on net obligations.
  4. When a clearing member is declared unscrupulous in accordance with sub-item 1)-3) and 5) of item 1 of this article, the clearing unit informs members of the Exchange's Management Board and the risk management division of the occurrence of the default by a clearing member by sending a message to their corporate email addresses in accordance with the internal document of the Exchange "Risk Management Rules" .
  5. If a clearing member is declared unscrupulous in accordance with sub-items 1)-3) and 5) of item 1 of this article, the Management Board of the Exchange shall have the right:
    - 1) to suspend a clearing member, which is a trading participant, or to suspend its Authorized Trading Participant from trading in all or certain financial instruments in accordance with the internal document of the Exchange "Regulations on Membership", or to withdraw and to suspend the filing of orders for a separate trading and clearing account in accordance with the specifics of a certain exchange market of these Rules;
    - 2) to suspend clearing services;
    - 3) to change a category of a clearing member by category "with partial collateral" to the category "with full coverage";

- 4) to establish an attribute "short selling ban" and/or an attribute "ban on unsecured purchases" on certain or all trading and clearing accounts of a clearing member of the stock market in accordance with the features of a certain exchange market of these Rules;
  - 5) to set a limit on the minimum permissible positive value of a single limit, on the positive value of net positions for any financial instrument on certain trading and clearing accounts of a clearing member of the stock market in accordance with the features of a certain exchange market of these Rules;
  - 6) to recognize a clearing member as insolvent;
  - 7) to take no actions against a clearing member.
6. The Exchange settles the default on net obligations of an unscrupulous clearing member through the implementation of the procedure for rollover of positions in accordance with the features of a certain exchange market of these Rules.
- In the event of the default on net obligations on the client clearing account, the Exchange has the right to enforce liquidation of outstanding obligations without the Management Board's decision to transfer outstanding obligations and claims to its own clearing account of an unscrupulous clearing member and/or to execute outstanding net obligations at the expense of the clearing member's guarantee contributions in the amount required to repay them for cases established by the features of a particular exchange market of these Rules.
7. If a clearing member of a particular exchange market is declared unscrupulous under sub-item 4) of item 1 of this article, the Exchange has the right to write off money from the collateral accounts and/or from the clearing member's guarantee contribution accounts and to sell any financial instrument that is part of the collateral or guarantee contributions of an unscrupulous clearing member on its behalf in the amount required to repay its outstanding obligations, provided that there is no negative value of a single limit after such write off/sale.
8. An unscrupulous clearing member pays fines/penalties for failure or late performance of net obligations on the transactions with CCP or for non-compliance with obligations on the transactions without CCP under Article 29 of these Rules.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

**Article 20. Recognition of a Clearing Member Insolvent**

1. The Management Board of the Exchange has the right to declare a clearing member insolvent in any of the following cases:
  - 1) if the clearing unit decides to declare an unscrupulous clearing member as insolvent at a certain exchange market due to the default on net obligations and/or default on margin and/or default on a guarantee contribution at this exchange market in accordance with the procedure established by the features of this exchange market of these Regulations. At the same time:
    - in the event of a default on net obligations, outstanding net obligations of the insolvent clearing member shall be recognized as outstanding in the amount of their default as at current settlement date and also other net obligations recognized by the decision of the Exchange's Management Board as outstanding;
    - in the case of a default on margin, any net obligations at the Exchange's discretion shall be declared outstanding in such amount that the forced closure of which leads to the non-negative value of a single limit of the insolvent clearing member;
    - in the event of the default on a guarantee contribution, any net obligations shall be declared outstanding at the Exchange's discretion

in such amount, the forced closure of which results in a positive limit of a single limit of the insolvent clearing member in the amount exceeding the outstanding net obligation of the guarantee contribution for further repayment at the expense of the money recorded in the collateral accounts;

- 2) if the National Bank revokes the licence to carry out main activity of a resident clearing member, such clearing member is declared insolvent in all exchange markets no later than the working day following the date of the withdrawal of such license. All net obligations for all clearing accounts of a clearing member with all settlement dates in all exchange markets shall be recognized outstanding;
  - 3) if the National Bank revokes the licence/right of a resident clearing member to carry out certain type of operations or activity , the resident clearing member is declared insolvent in that exchange market, where the financial instruments are traded, for which the license has been revoked no later than the working day following the date of the withdrawal of such a license/such right. Net obligations of a clearing member for all clearing accounts with all settlement dates in this exchange market shall be recognized outstanding;
  - 4) in the event of the appointment of an interim administration, at the beginning of one of the bankruptcy proceedings i.e. the withdrawal (suspension) of the license for the main activity or the conduct of operations in any of the financial markets by the authorized body of non-resident clearing member, this clearing member is declared insolvent no later than the working day following the date on which the Exchange learned about it. The decision of the Management Board of the Exchange defines the types of exchange markets in which a non-resident clearing member is declared insolvent, as well as the terms and procedures for declaring its net obligations outstanding;
  - 5) in the case of repeated violation of settlement terms during a calendar month in a certain exchange market, a clearing member is recognized as insolvent in such exchange market. The terms and the procedure for recognizing its net obligations as outstanding are determined by the decision of the Management Board of the Exchange;
  - 6) if a clearing member is declared insolvent in any exchange market. The terms and the procedure for recognizing its net obligations as outstanding are determined by the decision of the Management Board of the Exchange;
  - 7) if a clearing member is included in the list of organizations and persons involved in the financing of terrorism and extremism, no later than the next business day, from the date of posting this information on the official website of the authorized body. All transactions of such clearing member with all settlement dates for all clearing accounts (own and client) are declared null and void;
  - 8) if clearing member's client is included in the list of organizations and persons associated with the financing of terrorism and extremism in accordance with information received from the clearing member with the indication of the client clearing account and/or received from the Central Depository with the personal account of a client of a depositor of the Central Depository, no later than the next working day from the date of receiving such information. All transactions with all settlement dates concluded from any trading and clearing accounts, the settlements on which are made using the specified clearing and/or personal account of the client of the depositor of the Central Depository are declared null and void.
2. A written notice of the National Bank will be a confirmation of the revocation of the license/right of a resident clearing member. A clearing member is declared

insolvent from the date and time specified in the decision of the Management Board of the Exchange.

3. When the Management Board declares a clearing member insolvent, the Management Board of the Exchange decides to suspend insolvent clearing member from trading by all or particular financial instruments in accordance with the internal document of the Exchange "Regulations on Membership" or removes the insolvent clearing member from trading on one or more trading and clearing accounts or blocks submission of orders for one or more trading and clearing accounts in the trading/clearing system, transactions that are carried out using clearing accounts of an insolvent clearing member, in accordance with the features of a certain exchange market of these Rules.
4. Recognition of a clearing member as insolvent is the basis for the immediate procedure of settling the default of the insolvent clearing member in accordance with Article 21 of these Rules.
5. Insolvent clearing member shall pay fine/penalties for failure or late performance of net obligations in compliance with Article 29 of these Regulations;

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

**Article 21. Settlement of Default of Insolvent Clearing Member**

1. Each net obligation on transactions with CCP recognized as outstanding as well as all transactions declared null and void on the basis of the decision of the Management Board of the Exchange in accordance with Article 20 of these Rules are subject to settlement.
2. During settlement of the default on the client/client custodial clearing account of the insolvent clearing member, the Exchange has the right to use the collateral on its own clearing account, as well as its guarantee contributions, only after the full use of collateral on the client clearing account, on which the default was made.

Default settlement procedures and other actions carried out by the Exchange as part of the default settlement are carried out by the Exchange on each exchange market separately and do not affect other exchange markets, with the following exception:

The Exchange has the right to use the collateral on own clearing account of an insolvent clearing member in the amount exceeding net claim of the Exchange with the current settlement date and the requirement to collateral on its own clearing account, as well as its guarantee contributions on other exchange markets in the absence of its net obligations with any settlement dates on this exchange market.

3. The Exchange implements the following procedures as part of the default settlement:
  - 1) suspends the right of an insolvent clearing member to withdraw its guarantee contributions and own collateral in all exchange markets, as well as the collateral on the client/client clearing account if this account was defaulted;
  - 2) suspends the possibility of filing orders into the trading systems of the relevant exchange market with indication of all trading and clearing accounts, which include collateral recorded in the clearing account, which was defaulted;
  - 3) in the event of the default on margin, the Exchange makes a transaction on behalf of the insolvent clearing member/its Authorized Trading Participant to sell any collateral recorded in the clearing account, which has defaulted on



margin and/or conducts forced liquidation of any outstanding net obligations in the amount that eliminates negative value of the single limit under Article 23 of these Rules;

- 4) in the event of a default on the guarantee contribution, the Exchange makes transactions on behalf of the insolvent clearing member/its Authorized trading participants for the sale of any collateral recorded on its own clearing account and/or conducts forced liquidation of its any outstanding net obligations on its own clearing account in volume resulting in a positive value of the single limit of an insolvent clearing member in the amount of outstanding net obligations on guarantee contribution under Article 23 of these Rules and (or) in the event of insufficient collateral recorded in own clearing account;
- 5) in the event of a default on net obligations and/or in cases defined by sub-items 2)-6) of item 1 of Article 20, the Exchange conducts forced liquidation of outstanding net obligation of insolvent clearing member by concluding counter-balancing transaction on its behalf/on behalf of its Authorized Trading Participant in order to minimize final net obligation and to conclude transactions to cover final net obligation (if any) using collateral of the insolvent clearing member in the sequence defined by item 1 according to the procedure determined by Article 23 of these Rules.

The Exchange conducts separation procedure and settlements under Article 22 of these Rules, in the event that the final net obligation of the insolvent clearing member has not been repaid as a result of the actions specified in the first paragraph of this subparagraph.

Liquidates outstanding claims of bona fide clearing member at the expense of clearing funds under Article 24 of these Rules.

Accrues penalties on outstanding net obligations of the insolvent clearing member.

Provides clearing reports on the results of the liquidation to insolvent and bona fide clearing members in accordance with these Rules.

- 6) liquidates void transaction of an insolvent clearing member, which has been recognized as such under sub-item 7), 8) of item 1 of Article 20 in the manner established by Article 25 of these Rules.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

## **Article 22. Separation Procedure**

1. The separation procedure is carried out for the purposes of partially fulfilling claims of bona fide clearing members until liquidation of outstanding claims of bona fide clearing members using clearing funds.
2. During the separation procedure, in order to partially fulfill the claims of bona fide clearing members, the clearing unit determines the size of net claim of each bona fide clearing member, which will be fulfilled at the expense of an insolvent clearing member using the following formula:

$$EX_p = Q_p \cdot (\sum Q_p - EX_{nku}) / \sum Q_p$$

$EX_p$  – the amount of net claim of the p-th clearing member for partial execution at the expense of an insolvent clearing member;

$p$  – a bona fide clearing member whose net claims have not been satisfied  $p'1, 2, \dots, X$ ;

$Q_p$  – the amount of net claim of a bona fide clearing member;

$EX_{nku}$  – the amount of net obligation of an insolvent clearing member formed as a result of the forced liquidation or the amount of net obligation as a result of closeout netting.

3. The amount of outstanding net claim of each bona fide clearing member after their partial execution is calculated according to the following formula:

$$D_p = Q_p - EX_p, \text{ where}$$

$D_p$  – the amount of outstanding net claim of a bona fide clearing member;

4. Upon completion of the separation procedure, the clearing unit sends the following documents to the relevant units and organizations:

- 1) final summary statement of net settlement obligations is submitted to the settlement unit;
- 2) net positions register is submitted to the Central Depository.

The documents specified in sub-items 1) and 2) of this item contain information on the amounts of clearing member's net positions following the separation procedure.

5. The settlement organization carries out settlements for partial fulfilment of claims of bona fide clearing members.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

**Article 23. Forced Liquidation of Outstanding Obligations of an Insolvent Clearing Member on Transactions, where the Exchange acts as a Central Counterparty**

*(This heading was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

1. The forced liquidation of outstanding net obligation of an insolvent clearing member with fixed settlement date (hereinafter referred to as forced liquidation) is carried out by concluding the following transactions:

- 1) balancing transactions to buy a financial instrument, in which an outstanding net obligation occurred with the settlement date of this obligation and the scope of such obligation (this sub-item was changed by the decision of the Board of Directors of the Exchange of January 29, 2019 and September 24, 2019).
- 2) covering transactions involving sale of financial instruments, in which the collateral and/or guarantee contributions of an insolvent clearing member were formed, and covering transactions involving the purchase of a financial instrument, in which its outstanding obligation is expressed in order to conduct netting of claims for covering transactions and outstanding net obligations of the insolvent clearing member to reduce them to the maximum.

2. Forced liquidation is carried out according to the procedure as follows:

- 1) the Exchange concludes balancing transactions in respect of its outstanding net obligation to bona fide participants, formed as a result of the declared default on the net obligation of an insolvent clearing member by one of the methods specified in item 3 of this article.

If it is not possible to purchase a financial instrument in which an outstanding net obligation is formed with the settlement date of this obligation, the purchase is made at the date that is as close as possible to the settlement date of this obligation;

- 2) the Exchange concludes balancing transactions on behalf of the insolvent clearing member with itself on the same terms on which the balancing

transactions were concluded, in accordance with sub-item 1) of this item and conducts netting of claims and obligations on balancing transactions and outstanding net positions of the Exchange and the insolvent clearing member.

If the transaction concluded under sub-item 1) of this item was made with a settlement date different from the settlement date of the outstanding obligation of the insolvent clearing member, the settlement date of balancing transaction concluded by the Exchange on behalf of the insolvent clearing member with itself is the same as the settlement date of outstanding net obligation and the transaction price is adjusted by the value that takes into consideration the price of repo between the settlement date of the balancing transaction and the settlement date of outstanding net obligation calculated according to established risk parameters;

- 3) a market difference between the prices of balancing transactions between the Exchange and the insolvent clearing member concluded in accordance with sub-item 2) of this item, and the prices of transactions that formed outstanding net positions will form either net claim of insolvent clearing member to the Exchange or a net obligation of the insolvent clearing member to the Exchange following netting of these transactions. Meanwhile, the net obligation of an insolvent clearing member with a future settlement date that has arisen must be executed on the day it has arisen and shall be recognized as extinguished;
- 4) net claim of an insolvent clearing member to the Exchange specified in sub-item 3) of this item is used by the Exchange to eliminate the negative value of a single limit and/or to satisfy the claim for a guarantee contribution.

By the decision of the Management Board, the Exchange has the right to use net claim to pay forfeit/penalties accrued in accordance with these Rules, as well as to repay any debts on the obligations of the insolvent clearing member to the Exchange by way of netting.

In this case, if this claim has not emerged in the tenge, the Exchange concludes a transaction to sell a financial instrument that forms net claim of an insolvent clearing member for tenge by one of the methods specified in item 3 of this article;

- 5) net obligation of an insolvent clearing member to the Exchange as specified in sub-item 3) of this item is covered by the collateral and guarantee contributions of the insolvent clearing member, which is part of the "collateral pool for settlement of default" in the sequence determined by sub-item 1)-5) of item 1 of Article 26 of this Rule by way of netting.

If this net obligation was not formed in the financial instrument in which the collateral and/or guarantee contributions of the insolvent clearing member are formed, the Exchange:

concludes covering transactions on its behalf by one of the methods specified in item 3 of this article;

concludes covering transactions on behalf of the insolvent clearing member in respect of itself in the volume and on the same terms on which the transactions were concluded in accordance with the previous paragraph.

In the event when various financial instruments form certain type of collateral pool for covering default, financial instruments for coverage transactions are used in the sequence defined by item 4 of Article 26 of the Rules .

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019).*

3. Transactions in default settlement procedures are made using the following ways in accordance with the following sequence:

- 1) during exchange-based trading, the Exchange files orders for concluding transactions at prices valid in the trading system of the Exchange at the time of filing. The Exchange independently determines order submission time and volume of submitted orders;
- 2) if it becomes impossible to conclude the transactions specified in sub-item 1) of this item partially or in full during the main trading sessions on the exchange market, the Exchange has the right to conclude transactions with the National Bank or with the Bank Provider or with another clearing member in the required volume in additional trading sessions or on the over-the-counter market after the closing of the last trading session of the same trading day at the price set by the National Bank or the Bank Provider or other clearing member. The price of transactions with a financial instrument with the settlement date corresponding to the outstanding obligation may not be higher than the maximum price in the case of purchase and cannot be lower than the minimum price in the case of sale that were fixed at the main trading sessions of the current trading day or at the price within the range (+1%) – (-1%) from the price of such financial instrument according to Thomson Reuters or Bloomberg news agencies at the time of the transaction or at the settlement price of such financial instrument determined at the close of the last trading session;
- 3) if it is not possible to conclude transactions in accordance with previous sub-items of this item, the Exchange, after the closing of the last trading session, concludes transactions on its own behalf with bona fide clearing members who have claims for a financial instrument in default acting on their behalf, at the settlement prices of the financial instrument with relevant settlement date valid at the close of this trading session.

If there are several bona fide members who have net claims for the financial instrument in default, the volume of the transaction for each bona fide clearing member is determined by the following formula:

$$V_p = Q_p * (U_{nku} / \sum Q_p)$$

- $V_p$  – the amount of net claim of the p-th clearing member for which the transaction will be executed;
- $p$  – a bona fide clearing member who has a net claim in a financial instrument in default p-1, 2,..., X;
- $Q_p$  – the amount of net claim of a bona fide clearing member on the financial instrument in default;
- $U_{nku}$  – the amount of outstanding net claim of a bona fide clearing member on the financial instrument in default;

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019).*

4. The Exchange has the right to carry out forced liquidation within three trading days starting from the day following the day of recognition of the clearing member as insolvent.

The Exchange conduct position rollover procedure in respect of outstanding net transactions that were not liquidated at the end of the closing of each trading day in accordance with the features of a certain exchange market of these Rules.

*(This paragraph was changed by a decision of the Exchange's Board of Directors dated January 29, 2019)*

5. The Exchange notifies the insolvent clearing member of taking actions on forced liquidation no later than on the working day when it was made and sends a clearing report and/or other written notices with information on the following (this item was changed by the decision of the Board of Directors of the Exchange of

January 29, 2019 and the decision of the Board of Directors of the Exchange of 24 September 2019):

- 1) termination of outstanding net claims and net obligations of an insolvent clearing member;
  - 2) balancing transactions and covering transactions concluded by the Exchange on behalf of the insolvent clearing member;
  - 3) net obligations and/or net claims of an insolvent clearing member that emerged as a result of forced liquidation;
  - 4) balances on collateral accounts (in the case when the Exchange acts as the settlement organization) and on the accounts of guarantee contributions of the insolvent clearing member;
  - 5) other information in accordance with the conditions and the procedures of default settlement established by these Rules.
6. If the Exchange concludes transactions on behalf of bona fide clearing participants under sub-item 3) of item 3 of this article, the Exchange shall send clearing report and/or other written notices to bona fide clearing members with information about:
- 1) the fact of default;
  - 2) balancing transactions and/or covering transactions concluded by the Exchange on behalf of the bona fide clearing member;
  - 3) termination of outstanding net positions of a bona fide clearing member as a result of the above mentioned transactions concluded by the Exchange and the emergence of net obligations and/or net claims on the results of these transactions (if any);
  - 4) (this sub-item is excluded by the decision of the Exchange's Board of Directors of September 24, 2019);
7. Insolvent clearing member and bona fide clearing members are required to fulfill obligations under all transactions concluded on their behalf by the Exchange as part of the forced liquidation in accordance with this article and clearing reports sent to them by the Exchange (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
8. The Exchange, acting on behalf of an insolvent clearing member, and acting on behalf of bona fide clearing members in relation to the transaction with itself, carries out all legal and actual actions necessary to conclude transactions in accordance with these Rules without special authority (power of attorney), as well as without the consent of an unscrupulous clearing member and bona fide clearing members.
9. If an insolvent clearing member fails to fulfill net obligations based on the results of the forced liquidation, the information of which was provided in the clearing report in accordance with item 5 of this article until 19.00 ALT of the day when the forced liquidation was carried out, the Exchange liquidates outstanding claims of bona fide clearing members in accordance with Article 24 and accrues a forfeit to the insolvent clearing member in accordance with sub-item 2) of item 5 of Article 29 of these Rules (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018 and the decision of the Board of Directors of 12 September 24, 2019).
10. The Exchange has the right to use the collateral and guarantee contributions of an insolvent clearing member to pay the forfeit/penalties accrued under these Rules and to repay other debts on obligations of the insolvent clearing member to the Exchange by way of netting.

If the collateral and guarantee contributions of the insolvent clearing member are not expressed in the tenge, the Exchange concludes transactions to sell the

financial instrument, in which the collateral and/or guarantee contribution of the insolvent clearing member was formed for the tenge by one of the ways specified

in sub-items 1) and 2) item 3 of this article in order to repay any debts of the insolvent clearing member to the Exchange (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).

11. The Exchange has the right to claim compensation for outstanding net obligations from the insolvent clearing member upon results of forced liquidation, as well as for other debts to the Exchange, by judicial procedure.
12. The insolvent clearing member has the right to return its collateral and/or guarantee contribution remaining after the completion of forced liquidation according to the procedure established by the Rules, after the fulfilment of all its obligations and full payment of forfeits/penalties and other debts to the Exchange (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).

**Article 24. Liquidation of outstanding claims of bona fide clearing members in the performance of the functions of the Central Counterparty. Limitation of the scope of the Exchange's liability**

1. The Exchange, assuming the functions of a central counterparty, guarantees the fulfilment of net obligations to each bona fide clearing member, taking into account the limitation of its liability in the amount of clearing funds of the exchange market on which a default occurred, which are part of the collateral pool to cover default, in accordance with sub-item 6 ) and 7) of item 1 of Article 26 of these Rules (this item was changed by a decision of the Exchange's Board of Directors dated September 24, 2019).
2. If, as a result of the forced liquidation, the insolvent clearing member fails to fulfil net obligations as a result of the forced liquidation under item 9 of Article 23, or if there is a net obligation based on the results of the close-out netting in accordance with item 4 of Article 25 of these Rules, the Exchange shall carry out a separation procedure in order to determine the amount of the obligations performed by the Exchange to each bona fide member, carries out settlements on partial fulfilment of claims in accordance with Article 22 of these Rules, and then carries out the liquidation procedure for remaining outstanding claims of each bona fide clearing member (hereinafter referred to as the liquidation of claims) at the expense of the funds specified in item 1 of this article in the indicated sequence and within the same timeframe, established for implementation forced liquidation or liquidation netting (this item was changed by a decision of the Exchange's Board of Directors dated September 24, 2019).
3. If the outstanding requirements of bona fide clearing members to the Exchange are formed in the financial instrument in which clearing funds are formed, the Exchange in order to fulfill its obligations on these claims concludes transactions for the sale of a financial instrument that forms clearing funds and for the purchase of financial instruments in which outstanding claims of bona fide clearing members to the Exchange are formed by one of the ways defined by item 3 of Article 23 (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
4. The size and procedure for using clearing funds to liquidate the claims of bona fide members at the expense of reserve funds and guarantee contributions of bona fide clearing members, as well as the calculation of the amount of the guarantee contribution used by each bona fide clearing member calculated as the Sk value are established by Article 27 of these Rules (this item was amended by the decision of the Board of Directors of the Exchange of September 24, 2019).

5. The amount of claims covered to each bona fide clearing member through the use of clearing funds is calculated as the  $F_p$  value under item 2 of Article 27 of these Rules, if there is sufficient resources of the guarantee fund and insufficient resources of the reserve fund to cover outstanding claims of bona fide clearing members and as the  $L_p$  value in accordance with item 3 of Article 27 of these Rules, if there are insufficient resources in the reserve and guarantee clearing funds (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
6. The Exchange's net obligations to bona fide clearing members are reduced by the corresponding amount of fulfilled claims to bona fide clearing members calculated in accordance with item 5 of this article (this item was amended by the decision of the Board of Directors of the Exchange of September 24, 2019).
7. The remaining outstanding obligations of the Exchange to bona fide clearing members after the use of clearing funds are recognized as deferred obligations and corresponding outstanding claims of bona fide clearing members are recognized as deferred claims (this item was amended by the decision of the Board of Directors of the Exchange of December 12, 2018).
8. The Exchange sends a clearing report and/or other written notifications to bona fide clearing members with information about the following not later than the working day following the day in which the liquidation of the requirements was completed and the resources of clearing funds were used:
  - 1) the fact of default and the size of reserve fund used for settling the default;
  - 2) the amount of the guarantee contribution of a clearing member used for liquidation of claims;
  - 3) the amount required for a clearing member to restore the guarantee contribution to the guarantee fund;
  - 4) the amount of deferred claims (if any);
  - 5) sales transactions concluded by the Exchange on behalf of a bona fide clearing member as part of the liquidation of claims;
  - 6) other information in accordance with the conditions and the procedures of default settlement established by these Rules.
9. The procedure for the recovery of clearing funds, the rights and obligations of clearing members in respect of guarantee contributions are determined by Article 28 of these Rules.
10. A bona fide clearing member whose net claims were not fully fulfilled as a result of the liquidation of claims shall not be entitled to demand their fulfilment with the exception of cases specified in item 11 of this article.
11. The amount of deferred obligations of the Exchange to bona fide clearing members may decrease in the following cases:
  - 1) when an insolvent clearing member's debt to the Exchange is repaid by the insolvent clearing member itself or by other persons;
  - 2) upon collection of debts on outstanding obligations of the insolvent clearing member to the Exchange by judicial procedure;
  - 3) as a result of the removal of the clearing member from the list of organizations and individuals associated with the financing of terrorism and extremism.

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

12. Financial instruments received to repay the debt of the insolvent clearing member for its outstanding obligations or recorded on its accounts and made

available as a result of the removal of the clearing member from the list of organizations and persons associated with the financing of terrorism and extremism are used by the Exchange within two business days following the day of their receipt / occurrence of the corresponding event in the following order (this item was changed by a decision of the Exchange Board of Directors dated September 24 October 2019):

- 1) repayment of deferred obligations of the Exchange to bona fide clearing members;
  - 2) return of used guarantee contributions of clearing members;
  - 3) restoration of the clearing reserve fund, the resources of which were used (this sub-item was changed by a decision of the Exchange's Board of Directors dated December 12, 2018).
13. In the event of repayment of the debt of an insolvent clearing member to the Exchange by any of the ways listed in item 12 of this article, the Exchange distributes the received financial instruments to repay deferred obligations to bona fide clearing members in the same proportions that were used to fulfill net claims to each bona fide clearing member through the use of clearing funds in accordance with items 2 or 3 of Article 27 of these Rules (this item was amended by the decision of the Board of Directors of the Exchange of September 24, 2019).
14. Deferred obligations of the Exchange to bona fide clearing members are deemed settled on the next working day after the Exchange distributes financial instruments in accordance with item 12 of this article received as a result of the execution of a decision of the executive judicial authority on collection of debts of the insolvent clearing member to the Exchange, or after writing off this debt from the Exchange balance sheet within the timeframe and in the manner provided for accounting for overdue debt in the Exchange's internal document "Accounting Policy". The Exchange sends notifications to bona fide clearing members of the termination of their claims for the Exchange's deferred obligations on the day of their termination.
15. If the debts written off are repaid by the debtor after they are written off from the balance sheet of the Exchange and termination of deferred obligations to bona fide members, the amount received is distributed between bona fide clearing members in the manner specified in item 12 of this article, in the proportions determined by item 13 of this article.

**Article 25. Close-out Netting of Insolvent Clearing Member**

1. The close-out netting procedure for all transactions with CCP, which were declared null and void by the decision of the Management Board in accordance with sub-item 7) and 8) of item 1 of Article 20 of these Rules is carried out in order to determine the total net claim / net obligation.
2. All transactions declared null and void must be terminated completely by the occurrence of a net claim / net obligation based on the results of the close-out netting, calculated in tenge as the sum of the following values (obligations are recorded with a minus sign, claims are recorded with a plus sign):
  - 1) liabilities in financial instruments for all settlement dates recalculated at the respective settlement prices set at the end of the day of the close-out netting;
  - 2) Liabilities for exchange fees, trading and clearing fees;
  - 3) obligation to transfer the coupon yield on repo transactions;
  - 4) claims in financial instruments for all settlement dates recalculated at settlement prices set at the end of the day of the close-out netting;



3. Net claim / net obligation on the results of the close-out netting of an insolvent clearing member recognized as such on the basis of the Management Board's decision in accordance with sub-item 8) of item of Article 20 of these Rules are recorded with the current settlement date on its own clearing account of the insolvent clearing member, the clearing account transactions of which were declared null and void.

If there is total net obligation on the insolvent clearing member's own clearing account as a result the recording of net claims / net obligations according to the results of close-out netting, the insolvent clearing member must execute such total net obligation no later than the beginning of the nearest clearing session in accordance with applicable Regulations.

In the event of the default on total net obligation on its own clearing account of an insolvent clearing member, the clearing division of the Exchange brings up an issue to the Management Board of recognition of net obligations outstanding due to the default on net obligations and carries out the procedures under Article 20 of these Rules.

If there is total net claims on the personal clearing account of the insolvent clearing member as a result the recording of net claims / net obligations according to the results of close-out netting or performance obligations by the insolvent clearing member not later than the beginning of the nearest clearing session in accordance with the Regulations, the clearing unit brings up an issue to the Management Board of cancelling the recognition of the clearing member insolvent due to the completion of close-out netting in respect of its client clearing accounts, the transactions of which were declared null and void due to the absence of outstanding obligations of such clearing member.

If the Management Board decides to cancel recognition of the clearing member insolvent, the Exchange may cancel other decisions made in connection with this recognition.

4. If an insolvent clearing member recognized as such in accordance with sub-item 7) of item 1 of Article 20 of these Rules has a net claim / net obligation based on the results of the close-out netting, the Exchange shall record such net claim / net obligation on separate accounts in the internal accounting system of the Exchange.

If the insolvent clearing member has net claim based on the results of close-out netting, the Exchange shall carry out freezing procedures in accordance with the Currency Settlement Rules and/or the Securities Settlement Rules and / or the Rules for Settlement of Derivatives.

If an insolvent clearing member has any net obligation to the Exchange based on the results of the close-out netting in order to fulfil its obligations to bona fide clearing members, the Exchange liquidates outstanding claims to bona fide clearing members in the amount of a net obligation based on the results of the close-out netting at the expense of clearing funds in accordance with Article 24 of these Rules.

5. The Exchange has the right to put forward a claim to an insolvent clearing member to recover net obligation of the insolvent clearing member calculated in accordance with item 2 of this article and to demand its performance by judicial procedure.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

#### **Article 26. Collateral Pool for Settlement of Default**

1. Financial instruments from the following types of collateral (the collateral pool for settlement of default) and in the following sequence may be used in the default

settlement procedure in order to cover the default or improper performance of net obligations of the insolvent clearing member in a particular exchange market:

- 1) financial instruments in the settlement organization that constitute collateral for obligations on the client / client custodial clearing account of the insolvent clearing member, if the default occurred on obligations on this client account. The financial instruments that constitute collateral for obligations on other client / client custodial clearing accounts of this insolvent clearing member that were not defaulted cannot be used;
- 2) collateral on own clearing account of an insolvent clearing member of that exchange market, where the clearing member defaulted and was declared insolvent if the default occurred on its own clearing account.

If a default occurred on a client / client custodial clearing account, the Exchange has the right to use collateral on its own clearing account in the amount exceeding the Exchange's net claims with current settlement date and the requirements for collateral on its own clearing account;

- 3) guarantee contribution of an insolvent clearing member to the clearing guarantee fund of the exchange market where it defaulted and was declared insolvent;
  - 4) collateral of an insolvent clearing member on its own collateral accounts of any exchange market, where the clearing member did not default in an amount exceeding the Exchange's net claims with current settlement date and requirements for collateral in its own clearing account;
  - 5) guarantee contribution of an insolvent clearing member to the clearing guarantee fund of any exchange market, if it does not have outstanding obligations in this market;
  - 6) clearing reserve fund of the exchange market on which a default was made;
  - 7) guarantee contributions of bona fide clearing members to the relevant clearing guarantee fund in the amount calculated in accordance with item 1 of Article 27 of these Rules.
2. The maximum share of the clearing reserve fund that can be used to settle defaults on any exchange market for one clearing day is not more than 25%.
  3. In the event that a certain type of collateral pool to cover default consists of various financial instruments, the following sequence is applied to use them when concluding transactions in order to cover outstanding obligations:
    - 1) settlement currency of outstanding obligations;
    - 2) other currency in the following sequence: KZT, USD, EUR, RUB;
    - 3) any securities held on the KASE section of the personal account at the Central Securities Depository as selected by the Exchange.
  4. The use and recovery of clearing funds is carried out in accordance with Articles 27 and 28 of these Regulations.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

#### **Article 27. The Procedure for Using Clearing Funds**

1. The following formula is used to calculate the amount of money used from the guarantee contributions of bona fide clearing members:

$$S_k = \min \left( \frac{D - R}{N}; G_k \right), \text{ where:}$$

- $S_k$  – The amount of money used from the guarantee contribution of the k-th bona fide clearing member;
- $k$  – bona fide clearing member,  $k=1, 2, \dots, N$ ;
- $\min$  – mathematical function that determines the smallest of the values indicated in parentheses;
- $D$  – total amount of outstanding net claims of bona fide clearing members;
- $G_k$  – minimum required guarantee contribution amount of the k-th bona fide clearing member;
- $R$  – the amount of money of the reserve fund of the exchange market on which a default occurred, available to cover outstanding net claims of bona fide clearing members, taking into account the limitation of item 2 of Article 26 of these Rules;
- $N$  – the number of bona fide clearing members.

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

2. If there is insufficient money from clearing funds to cover outstanding net claims of bona fide clearing members, the following formula is used to calculate the amount of net claims of each bona fide clearing member covered by the funds of the clearing reserve fund:

$$F_p = R \times \frac{D_p}{\sum_p (D_p)}, \text{ where:}$$

- $F_p$  – the size of the net claim of the p-th bona fide clearing member covered by the funds of the clearing reserve fund;
- $p$  – a bona fide clearing member whose net claims have not been satisfied  $p=1, 2, \dots, X$ ;
- $D_p$  – the amount of outstanding net claims of the p-th bona fide clearing member calculated in accordance with item 3 of Article 22 of these Rules;
- $\sum_p$  – a mathematical sign of the amount that determines the amount of the defaulted net claims of bona fide clearing member;
- $R$  – a designation set by item 1 of this article.

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

3. If there is insufficient money from clearing funds to cover outstanding net claims of bona fide clearing members, the following formula is used to calculate the amount of net claims of each bona fide clearing member covered by the funds of the clearing guarantee fund:

$$L_p = (R + G) \times \frac{D_p}{\sum_p (D_p)}, \text{ where:}$$

- $G$  – the size of the guarantee fund of the exchange market, where the default has occurred, except of the guarantee contribution of the insolvent clearing member in respect of which the forced liquidation procedure or the close-out netting procedure was carried out.

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

4. The use of resources of clearing funds is carried out as part of the procedure for liquidating outstanding net claims of bona fide clearing members in the manner prescribed by Article 24 of these Rules for transactions for which the Exchange acts as the Central Counterparty and in accordance with Article 25 of these Rules for transactions in which the Exchange does not act as a Central Counterparty.

**Article 28. The Procedure for Restoration of Clearing Funds**

1. An insolvent clearing member, for the fulfilment of obligations of which the funds of clearing funds were used, must reimburse them in full on the conditions and in the manner established by these Rules.
2. An insolvent clearing member shall be obliged to fulfill the obligation to restore (reimburse) the funds of clearing funds in full within the next working day after receiving the clearing report on the results of the clearing session, where this obligation has been fixed.
3. A bona fide clearing member is required to make a guarantee contribution within five business days from the day following the day of receiving the clearing report with the requirement to restore the guarantee contribution to the guarantee fund in the manner specified in Article 18 of these Rules.

The specified obligation to replenish the contribution to the guarantee fund of the relevant exchange market may not arise for a bona fide clearing member more than once at the day of settlements and more than 6 (six) times per calendar year (*this item was changed by a decision of the Exchange Board of Directors dated December 12, 2018 and April 26, 2019*).

4. In case of non- fulfilment by the clearing member of the obligation specified in item 2 or 3 of this article, the measures provided for by these Rules and Regulations shall be taken.
5. In the event that the insolvent clearing member fulfills the obligation specified in item 2 of this article, the Exchange shall notify bona fide clearing members:
  - 1) on the fulfilment by the insolvent clearing member of the obligation to restore (reimburse) the resources of clearing funds;
  - 2) on the right of bona fide clearing members who have already complied with the requirements to replenish their guarantee deposit to submit to the Exchange an application for the return of the indicated amount through the electronic document exchange system eTransfer.
6. In case of using funds from guarantee contributions of bona fide clearing members as part of default settlement procedures in accordance with these Rules, a bona fide clearing member shall not have the right to demand restoration (reimbursement) of these funds from the Exchange, except as otherwise provided by these Rules.

**Article 29. Forfeit**

1. Penalties / fines shall be accrued to a mala fide or insolvent clearing member for failure to perform or improper performance by a mala fide or insolvent clearing member of its obligations in accordance with these Rules.
2. The Exchange shall charge a fee for the extension of the clearing session (holding an additional clearing session) from the clearing member, who requested such extension to be carried out (or holding an additional session), in the amount and in the manner established by the Exchange's internal document "Regulation on Membership Fees, Exchange Fees and Clearing Fees".

3. An unscrupulous clearing member that defaulted on transactions without CCP pays a penalty in accordance with the Exchange's internal regulatory documents "Regulations on Settlement of Transactions with Securities under the T + 0 Scheme with Full Collateral (Gross Settlements)", "The Procedure for Concluding Transactions with Government Securities under the T + 2 Scheme" and "The Procedure for Concluding Transactions in the Stock Market in the ASTS + Trading System".
4. An unscrupulous or insolvent clearing member on transactions with CCP shall pay to the Exchange for the application by the Exchange of the position rollover procedure and (or) the application of the forced liquidation procedure and (or) for the application of the close-out netting procedure the penalty in the amount of 15 times the monthly calculation index effective on the date of such application.
5. An unscrupulous or insolvent clearing member on transactions with CCP shall pay the Exchange a forfeit on outstanding net obligation in the amount:

$$PLikv = \min( R \times 0,05 \% \times D; R \times 1\% ) , \text{ where:}$$

PLikv – amount of forfeit in tenge;

min – a mathematical function that determines the smallest of the values indicated in parentheses;

R – the value of the outstanding net obligation in tenge calculated at the settlement price of the financial instrument in which this net obligation is expressed at the close of the last trading session on this financial instrument on the day it occurs;

D – the number of calendar days during which the outstanding net obligation remained outstanding.

6. The forfeit accrued in accordance with this article shall be paid by a clearing member within five business days from the date of receiving payment request.

The day of payment of the forfeit specified in the first paragraph of this item is the day when the amount of forfeit is credited to the Exchange's correspondent account.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

#### **Article 30. Recovery of Outstanding Obligations of an Insolvent Clearing Member**

1. The Exchange has the right to apply to judicial and other bodies in order to seek performance of any outstanding obligations from an insolvent clearing member, including:
  - 1) outstanding obligations of the insolvent clearing member on transactions, where the Exchange acts as the Central Counterparty;
  - 2) obligations to pay exchange and clearing fees, penalties / fines and other debts of the insolvent clearing member.
2. Financial instruments received by the Exchange as a result of measures to collect debts from an insolvent clearing member for the obligations specified in sub-item 1) of item 1 of this article are distributed in accordance with item 12 of Article 24 of these Rules among bona fide clearing members in repayment of deferred obligations of the Exchange to them that emerged as a result of default on obligations for which this recovered payment was received.
3. Bona fide clearing members shall have the right to submit a claim for compensation for losses related to non-execution or cancellation of transactions without CCP to the clearing member on the transactions according the general procedure provided for by the legislation of the Republic of Kazakhstan.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

#### **Chapter 4. FEATURES OF THE STOCK MARKET**

##### **Article 31. Features of Clearing in the Stock Market**

1. The Exchange provides integrated clearing on a net basis for transactions with securities traded in the modes with CCP with settlements in tenge and US dollars.
2. The Exchange carries out clearing on a gross basis for transactions with securities traded in the modes without CCP with settlements in tenge.
3. The Exchange clears transactions with CCP without collateral, with partial collateral and with full coverage depending on the category assigned to clearing member of the stock market as well as taking into account the features established by item 7 of Article 2 of this Rules for transactions concluded by clearing members with partial collateral.
4. The method of securing and the liability for default on obligations by clearing members for transactions without CCP are set by the Rules T0.
5. The Exchange determines net claims and net obligations on transactions with CCP of current clearing pool as a result of each clearing session and determines requirements and obligations on the transactions without CCP during trading on each transaction without CCP.
6. The information on transactions with CCP cleared on a net basis is verified by clearing members of the stock market within 15 minutes of receiving clearing reports in accordance with Article 6 of these Rules.
7. The Exchange charges a forfeit to unscrupulous/insolvent clearing member of the stock market payable in accordance with Article 29 of these Rules.
8. The Exchange has the right to use collateral on a clearing member's own clearing account and/or its guarantee contributions to pay for any debt (including forfeits/penalties) of such a clearing member to the Exchange.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

##### **Article 31-1. Features of Clearing and Trading and Clearing Accounts in the Stock Market**

1. For transactions with CCP concluded in the ASTS+ trading and clearing system, where a clearing member acts as the Trading Participant, one own clearing account (S+), one aggregated client clearing account (L+) and an unlimited number of client clearing accounts (I+) that match relevant trading accounts transactions with CCP opened for the clearing member as Trading Participant are opened for the clearing member. Trading account and a clearing account that corresponds to the trading account by the number that ensure the execution and settlement of transactions/operations carried out using such trading account constitute together the trading and clearing account (TCA S+/TCA I+/L TCA+). /  
For transactions with CCP, where a clearing member is not acting in the Trading Participant and is a User of the Control and Security System (hereinafter referred to as the CSS User), the following accounts shall be opened for a clearing member:
  - a custodial clearing account (K+) that corresponds to the trading account by the number opened for a clearing member, as the CSS User that secures execution of operations made by the CSS User in the ASTS+ trading and

clearing system. A trading account and a clearing account that corresponds to the trading account by the number that secures the execution of operations using such trading account, constitute together the trading and clearing account (TCA K+);

- unlimited number of client custodial and clearing accounts (C+) and trading accounts that corresponds to them by the number that provides for the execution of operations made by the CSS User in the ASTS+ trading and clearing system on the trading accounts matching by number and also ensures the execution of transactions concluded using matching trading and clearing account of the 2nd level. A trading account and client custodial clearing account C+ that corresponds to the trading account by the number and provides for the execution of operations using such trading account constitute together the trading and clearing account (TCA C+).

The above accounts L+ and K+ are opened on the basis of the decision of the Exchange on assigning the status of a clearing member of the stock market. The accounts I+ and C+ are opened in automatic mode based on the information received from the Central Depository on client personal accounts.

For transactions with CP concluded by the Authorized Trading Participant (Br) using CSS User's clearing account (Cu), a client trading account of the 2nd level and client clearing account of the 2nd level (I+BrCu) that match in number and constitute together the trading and clearing account of the 2nd level (TCA-I+BrCu) shall be opened for such Authorized Trading Participant based on its application on opening trading and clearing account of the 2nd level and the application filed by the clearing member, who is a CSS User, on appointing the Authorized Trading Participant in respect of its client custodial clearing accounts C+. . The trading and clearing account of the 2nd level (TCA-I+BrCu) is matched to the client custodial clearing account C+ CSS User, which is used for securing and execution of transactions concluded using TCA I+BrCu. The clearing account of the 2nd level, which is part of (TCA I+BrCu), is used by the CSS User for setting collateral limits, within which the appointed Authorized Trading Participant may submit orders and conclude transactions using (TCA-I+BrCu).

An application of the Authorized Trading Participant for opening the TCA of the 2nd level is processed in accordance with the Rules of Exchange Activities, an application from a clearing member on the appointment of the Authorized Trading Participant in respect of the client custodial clearing account of the clearing member in accordance with Appendix No. 3 of these Rules.

The trading participant for transactions with CCP, where it is a clearing member, has the right to submit an application in accordance with the Rules of Exchange Activities for opening (own S+ or client I+) trading and clearing accounts of the 2nd level TCA S+2/I+2 in order to separate transactions and collateral using any trading and clearing account TCA S+/I+. Such trading and clearing account TCA S+/I+ is matched to several trading and clearing accounts of the 2nd level TCA S+2/I+2 and is used for securing and executing transactions concluded using TCA S+2/I+2 . Trading and clearing account of the 2nd level are used to establish collateral limits under which the Trading Participant, who is a clearing member, can submit orders and perform separate accounting and monitoring the adequacy of collateral in the amount of the established limits.

2. For transactions without CCP concluded in the ACT trading system of the Exchange, where the Trading Participant acts as a clearing member, one own clearing account and unlimited number of client clearing accounts with the same number as the trading accounts to which they are attached to is opened for the clearing member.

For transactions without CCP, where a clearing member is not a Trading Participant but is the CSS User, unlimited number of client custodial accounts with the same number as the trading accounts to which they are attached to are additionally opened for the clearing member. Access to trading from the CSS

User's trading accounts are available to the Authorized Trading Participant based on the application of the CSS User on registration of trading accounts confirmation in accordance with the Rules of Exchange Activities.

3. Clearing accounts for transactions with CCP S+, I+, C+ are opened automatically in accordance with the information on personal accounts opened for a clearing member in the accounting system of the Central Depository received from the Central Depository on a daily basis.

Clearing accounts for transactions with CCP S+, I+, C+, are closed based on the information received from the Central Depository on the closing of a personal account in the accounting system of the Central Depository provided that there are no outstanding obligations on the clearing account.

Opening/closing of clearing accounts L+, K+, C+ is done based on the decision of the Exchange's Management Board on assigning/withdrawal of the status of a clearing member of the stock market.

Opening/closing of clearing accounts of the 2nd level I+BrCu, S+2, I+2 is performed based on clearing member's application on opening/closing accounts of the 2nd level.

4. Opening/closing of trading and clearing accounts for transactions without CCP is carried out automatically in accordance with the information on personal accounts opened for a clearing member in the accounting system of the Central Depository received from the Central Depository on a daily basis.
5. Trading and clearing accounts for transactions with CCP are used for the following actions in the ASTS+ trading and clearing system:
  - 1) TCA I+, I+2 are used by Trading Participant for concluding transactions in the interests of their clients in trading modes with CCP and for executing operations in the modes "Transfers of collateral" as a clearing member in order to set collateral limits and segregation/aggregation of the money recorded in these accounts;
  - 2) TCA K+, L+ are used for executing operations in the modes "Transfers of collateral" by a clearing member for the purposes of segregation/aggregation of money recorded on the client/custodial aggregated client accounts;
  - 3) TCA S+, TCA+ I TCA I+BrCu, TCA S+2 are used by the Trading Participant/Authorized Trading Participant for concluding transactions in trading modes with CCP and by a clearing member for executing operations in the modes "Transfers of collateral" for the purposes of setting collateral limits and for executing operations in the modes "Transfers to settlements" for the purposes of monitoring purposeful placement of assets and transfer of claims and obligations on the assets of the CSS User's clients;
6. Trading and clearing accounts S+, I+, C+ are used for clearing and settlement of transactions with CCP in the ASTS+ trading and clearing system.
7. A trading and clearing account for transactions with CCP contains the following information:
  - 1) on cash collateral positions recorded on TCA and broken down by currencies;
  - 2) on securities collateral position recorded on TCA and broken down by securities;
  - 3) on claims and obligations on money/securities on orders submitted, transaction made, operations executed in the ASTS+ trading and clearing system in terms of execution terms, currencies, securities, recorded on TCA;



- 4) on the amount of a single limit, on margin call amount recorded on TCA, if it is used for transactions with partial collateral;
  - 5) a set of accounts in trading and clearing system and the associated set of accounts in accounting systems of settlement organizations, where financial instruments are recorded and claims and obligations on the transaction or operations made in the ASTS+ trading and clearing system are executed.
8. A clearing account for transactions without CCP contains the following information:
- 1) on claims and obligations on money and securities for each transaction made.
  - 2) a set of clearing accounts and associated set of accounts in a settlement organization, where the claims and obligations on transactions concluded in the AST + trading system are fulfilled.

*(This article was included by a decision of the Exchange Board of Directors dated September 24, 2019).*

**Article 31-2. Depositing Collateral**

1. Clearing members use the following account (sections of accounts) opened in the Central Depository for fulfilling the requirements to collateral and to performance of obligations and claims for transactions with CCP:
  - on the money – correspondent account of KASE in the Central Depository;
  - on securities – section of KASE
2. The Exchange, as a settlement organization for transactions with CCP in the stock market (in terms of cash settlements), opens personal, aggregated client, aggregated custodial collateral accounts in the internal accounting system of the Exchange to the clearing member of the stock market in order to record deposited collateral and to ensure the performance of its net obligations and net claims in money on these accounts based on the clearing results.

The Central Depository, as a settlement organization on transactions in the stock market (in terms of securities settlement), opens KASE section in the personal account of each clearing member and each client of a clearing member in the accounting system of the Central Depository in order to record deposited collateral in securities and to ensure the performance of net obligations and net claims in securities on the transactions with CCP based on the clearing results.
3. A clearing member of the stock market for transactions with CCP must ensure that financial instruments are credited to the correspondent account of KASE in the Central Depository and to the KASE sections in order to meet requirements for the adequacy of collateral in those amounts and at such times depending on the category assigned to it in accordance with item 4 of Article 2 of these Rules and subject to the features established by item 7 of Article 2 of these Rules.
4. Clearing members of the stock market on the transactions with CCP transfer money in relevant currency to the correspondent account of KASE in the Central Depository by the bank details published on the Exchange's website ([www.kase.kz](http://www.kase.kz)) in accordance with the Securities Settlement Rules.
5. The procedure for depositing and refunding cash collateral recorded on the collateral accounts in the internal accounting system of the Exchange for the transactions with CCP is established by the Securities Settlement Rules.
6. The return of securities from the KASE sections to the main section is done on the basis of the refund application submitted by a clearing member in the Central Depository, in accordance with the Rules of the Central Depository.

The return is executed by the Central Depository only if the outcomes of the checking of sufficiency of collateral conducted in the ASTS+ trading and clearing system for clearing accounts (own and client), where the securities held in the KASE section are recorded, are positive.

7. The return of collateral for transactions with CCP in money and securities is carried out subject to the following conditions:
  - 1) the single limit of the clearing account that secures fulfilment of net obligations on financial instruments calculated without taking into account the returned financial instruments will not become negative;
  - 2) in the case of return of securities, if the amount of the target and opening position in securities calculated in the ASTS+ trading and clearing system for the clearing account providing for the performance of net obligations on securities without taking into account the returned financial instruments, will not become negative;
  - 3) in the case of the money refund, if the amount of target position in a particular currency calculated in the ASTS+ trading and clearing system without taking into account the refunded money will not be negative.
8. A clearing member of the stock market for transactions without CCP must ensure that the financial instruments are credited in full as well as liabilities arising from the transaction prior to submission of the order to the trading system:
  - money – to a correspondent account in the KCIS (for clearing participants, which are Banks), to a bank (own or client) account in the Central Depository (for clearing members, which are Brokers);
  - on securities – to personal account (own or client) in the Central Depository.

*(This article was included by a decision of the Exchange Board of Directors dated September 24, 2019).*

**Article 31-3. Settlements in the Stock Market. fulfilment of Obligations on Concluded Transactions**

1. Each clearing day in accordance with the Regulations, the Exchange determines net claims and net obligations for each clearing session for each clearing account providing for performance of net positions on the concluded transaction based on the following information recorded in the clearing account in order to settle transactions with CCP:
  - 1) net obligations and net claims for the current settlement date of the current clearing pool;
  - 2) obligations on the transfer /claims to receive income from coupon interest and (or) dividend payments that were confirmed by a paying agent in respect of securities with the payout date fixed between repo opening transaction date and repo closing transaction date in accordance with Exchange's internal document "The Procedure for Executing Transactions on the Stock Market in the ASTS + Trading System".
2. Net claims and net obligations on clearing accounts determined in accordance with item 1 of this article are executed according to the procedure determined by the Regulations.
3. To fulfill its net obligations on transactions with CCP, a clearing member of the stock market must, prior to the beginning of the clearing session of the settlement day, ensure the availability of financial instruments in all clearing accounts (own and client) providing for execution of net positions on the concluded transaction by money transfer to the correspondent account of KASE in the Central Depository and by depositing securities on the KASE in section in

the amount sufficient to execute obligations in accordance with the clearing report on total net obligations and net claims.

The Exchange satisfies net claims on the clearing account based on the clearing session results only if all net obligations on this account were performed in full.

Net claims and net obligations for money are performed for the collateral accounts (personal, aggregated client, aggregated custodial) opened in the internal accounting system of the Exchange for clearing members, for securities by KASE sections at the end of the clearing session.

Termination of claims and obligations in the ASTS+ trading and clearing system for clearing accounts (own, client, client custodial) taking into account execution of net positions at the end of the clearing, occurs at the time of completion of clearing session in accordance with the Regulations.

4. The Exchange performs the following actions for conducting clearing and settlement for a particular clearing session within the timeframe set by the Regulations:
  - 1) checks availability of financial instruments required for the execution of net obligations;
  - 2) sends the Central Depository the order to execute operations related to fulfilment of obligations on the transfer of securities;
  - 3) calculates net claims and net obligations in money on the collateral accounts of a clearing member;
  - 4) terminates total net obligations / total net claims on financial instruments held in clearing accounts in the trading and clearing system;
  - 5) if there is insufficient volume of financial instruments on clearing accounts of clearing members for settlements by the time established by the Regulations, the Exchange implements default settlement procedures for net obligations of an unscrupulous clearing member by position rollover procedure in accordance with Article 34-1 of these Rules.
5. If, in respect of the transactions with CCP, some corporate events on financial instruments, such as the restructuring of an issuer of securities, conversion of securities carried out without any restructuring of the issuer of securities or any other actions affecting the performance of obligations that lead to the change of the subject of transaction with CCP take place between the date of conclusion and the date of execution, the Exchange has the right to take one of the following decisions in respect of such transactions:
  - 1) to change unilaterally the subject (object) of the transactions "with partial security", the obligations on which have not been fulfilled and/or the order of performance of obligations taking into account the conditions of restructuring of the issuer of securities or other conditions set by the issuer of securities ;
  - 2) that the date of performance of obligations on the transactions shall be deemed to have occurred on the settlement date specified by the decision of the Exchange's Management Board.
6. For the purposes of settlements of the transactions without CCP, the Exchange determines the claims and obligations on a transaction concluded in the ACT trading system at the time of its execution and sends an order to the Central Securities Depository to make settlements.

The Central Depository carries out settlements in the following order:

- on securities – it checks the adequacy of securities on the personal account (own or client) with the Central Securities Depository

- on money – if there is sufficient volume of securities, it sends an order to the correspondent account with KCIS (for clearing members, which are the Bank) or settles on the bank (own or client) account in the Central Depository (for clearing members, which are Brokers).

If there is insufficient volume of securities on the personal account (own or client) at the Central Depository and (or) if the KCIS refuses to settle due to insufficient money on the correspondent account in the KCIS and (or) insufficient money on the bank (own or client) account with the Central Depository, the Central Depository sends refusal to perform settlements on the transaction.

7. The penalty for untimely / non- fulfilment of obligations payable by a clearing member is determined by Article 29 of these Rules.

*(This article was included by a decision of the Exchange Board of Directors dated September 24, 2019).*

**Article 31-4. The Procedure for Conducting Mark-to-market Clearing Sessions**

1. Within the period prescribed by the Regulations, the Exchange conducts mark-to-market clearing session in the stock market in order to reevaluate net positions and collateral in accordance with the new values of risk parameters established each morning of the trading day in accordance with the Regulations, and announces a margin-call performing the following procedure:
  - 1) sets a new values of risk parameters in the order defined in the Regulations and in accordance with the Methodology;
  - 2) calculates new values of the single limit for each clearing account in order to control the adequacy of collateral for transactions with CCP;
  - 3) determines the amount of margin-call for each clearing account (if any);
  - 4) generates and sends to clearing members, who faced margin call, the clearing reports that contain information on the amount of the margin call.
2. The margin-call arising with a clearing member upon results of mark-to-market clearing session must be eliminated by the clearing member by 14.00 ALT of the current clearing day by way of:
  - 1) providing financial instruments as collateral;
  - 2) concluding transactions that eliminate insufficiency of collateral.
3. Margin call arises with the clearing member, the single limit of the clearing account of which on the transactions with CCP based on the mark-to-market clearing session results, became negative. The amount of margin call is equal to the absolute value of the specified single limit.
4. Margin call arising with the clearing member on the clearing account with CCP, shall be considered terminated at the moment when the single limit on this account will become non-negative.
5. If the clearing member fails to respond to margin call within the period of time established in item 2 of this article, the clearing unit shall declare the clearing member unscrupulous due to the default on margin and shall take actions stipulated in Article 34 of these Rules.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

**Article 32. Risk management system of the stock market**

1. The risk management system for transactions with CCP in the stock market consists of the following element:

- 1) Risk parameters of financial instruments of the stock market determined in accordance with the Methodology;
  - 2) collateral of clearing members on the KASE correspondent account with the Central Depository and on "KASE sections" of clearing members in the Central Depository;
  - 3) revaluation of net positions and collateral, assessment of market and interest rate risks;
  - 4) control of the adequacy of collateral for transactions with partial collateral by calculating a single limit;
  - 5) the restrictions set by the Exchange to change the single limit that do not allow the single limit to fall below the level determined by the Exchange;
  - 6) attributes "short selling ban" and "ban on unsecured purchases" set on the trading and clearing accounts of the clearing member and/or on financial instruments;
  - 7) preliminary control of the full collateral of a clearing member of the stock market with full coverage or of a financial instrument with the attribute "short selling ban" / "ban on unsecured purchases";
  - 8) clearing reserve fund of the stock market;
  - 9) clearing reserve fund of the stock market;
  - 10) control of the adequacy of guarantee contributions of a clearing member to the clearing guarantee fund;
  - 11) default settlement procedures;
  - 12) limitation of the Exchange's liability as a Central Counterparty for the fulfilment of net obligations under transactions with the Central counterparty to bona fide clearing members in accordance with these Rules.
2. The procedure for establishing/changing the price ranges of financial instruments is carried out in a manner defined by the Methodology.
  3. In order to conclude transactions under partial collateral in the ASTS + trading and clearing system for each financial instrument, risk parameters are established that are used to calculate a single limit on trading and clearing accounts, on the basis of which the adequacy of collateral for obligations under submitted orders and transactions is controlled, settlement date for which has not yet arrived.

For the purpose of concluding transactions under full coverage conditions, the ASTS + trading and clearing system sets the attribute "short selling ban" to control full coverage of securities obligations and / or the attribute "ban on unsecured purchases" to control full coverage of money obligations for submitted orders and transactions , the settlement date for which has not yet arrived:

- 1) by the trading code of a clearing member - in this case, all trading and clearing accounts (own and client) of this clearing member will be checked for compliance with the conditions established by this attribute;
- 2) on a specific trading and clearing account of a clearing member – in this case only the specified trading and clearing account (own or client) will be checked for compliance with the conditions established by this attribute;
- 3) for securities - the attribute "short selling ban", for money - the attribute "ban on unsecured purchases" - in this case, the applications and transactions made on all trading and clearing accounts of all clearing members for a financial instrument with respect to which the attribute is established, will be checked for compliance with the conditions established by this attribute, regardless of the trading mode in which this financial instrument is traded.

4. The financial instruments accepted as collateral for the execution of transactions with partial collateral are the financial instruments included in the Collateral List T+.  
The financial instruments mentioned in the first paragraph of this item are involved in the calculation of a single limit as collateral.
5. Financial instruments not included in the Collateral List T+ and the financial instruments issued by this clearing member and included in its section on KASE are not taken into account when calculating single limit as collateral.
6. If, according to the results of the settlements of the last clearing session, the requirement for the size of the guarantee contribution is not met, the clearing report shall indicate relevant requirements on the need to replenish the guarantee contribution (if insufficient).

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019).*

**Article 33. A single limit on the stock market**

1. The single limit on the trading and clearing account TCA S+/I+/C+/I+BrCu/S+2/I+2 is used for:  
preliminary control of the adequacy of collateral for net obligations on the transactions with partial collateral when submitting orders for transactions with TCA;  
maintaining the required level of sufficiency of collateral for transactions with partial collateral concluded using TCA, until their execution.
2. The single limit on any TCA is calculated if any of the following cases occur:
  - 1) when orders for concluding transactions with TCA are submitted;
  - 2) when transactions with TCA are made;
  - 3) upon fulfilment / termination of obligations and claims under the TCA;
  - 4) when collateral is placed to / returned from TCA;
  - 5) when risk parameters of financial instruments change.
3. The single limit on TCA is calculated taking into account:
  - 1) collateral recorded on the TCA in money and securities;
  - 2) net claims and net obligations for money and securities on transactions with partial collateral with all settlement dates;
  - 3) net claims and net obligations in money on transactions with securities, for which the attribute "short selling" has been established;
  - 4) obligations on transfer / claims for obtaining income from coupon payments / dividends on repo transactions;
  - 5) other requirements and obligations in accordance with the Rules.
4. The single limit calculated based on the results of the mark-to-market clearing session determines the margin call size, a negative value of which means the need to replenish collateral or to conclude transactions that reduce the amount of outstanding net obligations of a clearing member.
5. The single limit is calculated in tenge.
6. The procedure for calculating the Single Limit is the same for all TCAs S+/I+/C+/I+BrCu/S+2/I+2.
7. The single limit on TCA is calculated taking into account:

- fair value measurement of net obligations and net claims with all settlement dates and collateral recorded as a claim with settlement date T0 for each financial instrument (hereinafter referred to as the Portfolio);
- market risk of Portfolios for each financial instrument;
- interest risk of Portfolios for each financial instrument;

8. Structure of the Single Limit:

- 1) portfolio value in tenge;
- 2) the sum of the value of the portfolios for each security and portfolios for each foreign currency, taking into account market risk;
- 3) the amount of interest rate risk of portfolios for each security and portfolios for each foreign currency.

$$EL = \text{Portfolio}_c + \sum_{f=1 \dots N} \text{Portfolio}_f - \sum_{f=1 \dots N} \text{IRRisk}_f, \text{ где:}$$

f – securities or foreign currency.

9. The value of the Portfolio in tenge is calculated as the sum of net obligations and net claims with all settlement dates  $T_i$  and the amount of collateral in tenge:

$$\text{Portfolio}_c = \sum_{T_i=T_0}^{T_n} Q_{cT_i} + \text{Collateral}, \text{ где}$$

$T_i$  – date of calculation of the net position;

$T_0$  – date of current trading day;

$T_n$  – the last settlement date at which any net position exists;

$Q_{cT_i}$  – net position on tenge with settlement date  $T_i$  (with a plus sign for net claim, with a minus sign for net obligation);

Collateral – amount of collateral in tenge.

10. The value of the Portfolio of a particular security or a portfolio of foreign currency taking into account market risk allows to evaluate its current market value taking into account the risk of deviation of current settlement prices of a security or settlement prices of a foreign currency.

The value of possible deviation of estimated prices is characterized by a margin rate or concentration rate applicable depending on the size of a securities portfolio or a foreign currency portfolio.

The value of a security or foreign currency portfolio is calculated as follows:

$$\text{Portfolio}_f = \sum_{T_i=T_0}^{T_n} F_{fT_i} + \begin{cases} \sum_{T_i=T_0}^{T_n} Q_{fT_i} \times X, \text{ если } \left| \sum_{T_i=T_0}^{T_n} Q_{fT_i} \right| \leq L_{\text{conc}} \\ \text{sign}(L_{\text{conc}} \times X + \left( \left| \sum_{T_i=T_0}^{T_n} Q_{fT_i} \right| - L_{\text{conc}} \right) \times Y), \text{ если } \left| \sum_{T_i=T_0}^{T_n} Q_{fT_i} \right| > L_{\text{conc}} \end{cases}$$

$$X = \begin{cases} \text{PH}_{-1_f}, \sum_{T_i=T_0}^{T_n} Q_{fT_i} \leq 0 \\ \text{PL}_{-1_f}, \sum_{T_i=T_0}^{T_n} Q_{fT_i} > 0 \end{cases}$$

$$Y = \begin{cases} PH_{2f} \sum_{T_i=T_0}^{T_n} Q_{fT_i} \leq 0 \\ PL_{2f} \sum_{T_i=T_0}^{T_n} Q_{fT_i} > 0 \end{cases}$$

$Q_{fT_i}$  – net position in a security or foreign currency  $f$  with settlement date  $T_i$  (net claim with a plus sign or net liability with a minus sign).

Collateral in a security or a foreign currency  $f$  is taken into account as a claim with settlement date  $T_0$  when calculating net position with settlement date  $T_0$ ;

$F_{fT_i}$  – the forward value of the net position in a security or foreign currency  $f$  with the settlement date  $T_i$ ;

$L_{conc}$  – concentration limit for a security or foreign currency  $f$ , approved by the Committee and determined in accordance with the Methodology;

$PH_{1f}, PL_{1f}$  – upper and lower limits of the market risk assessment range for a security or foreign currency  $f$ , determined from the margin rate and calculated in accordance with the Methodology;

$PH_{2f}, PL_{2f}$  – upper or lower limits of the range of market risk assessment for a security or foreign currency  $f$ , determined from the concentration rate and calculated in accordance with the Methodology;

sign – sign  $\sum_{T_i=T_0}^{T_n} Q_{fT_i}$ , if  $\sum_{T_i=T_0}^{T_n} Q_{fT_i} > 0$ , then sign "+", otherwise sign "-".

- The forward value of the net position with the settlement date  $T_i$  for a security or a foreign currency  $f$  is calculated as follows:

$$F_{fT_i} = Q_{T_i} \times \frac{REPORate_{T_i}}{SwapCurr_{T_i}}, \text{ where}$$

$RepoR_{fT_i}$  – settlement repo rate with the settlement date  $T_i$ , determined in accordance with the Methodology;

$SwapCurr_{fT_i}$  – estimated price of a foreign currency swap transaction with the settlement date  $T_i$ , determined in accordance with the Methodology.

- The interest rate risk of the Portfolio for a particular security or the Portfolio for a certain foreign currency assesses the risk associated with the volatility of estimated repo rates and estimated prices of swap transactions.

The amount of possible changes in interest rates is characterized by the interest rate risk or interest rate risk at a concentration applicable depending on the size of the net position with a certain settlement date for a particular security or a certain foreign currency.

The interest rate risk of the Portfolio for a security or a foreign currency is the sum of the size of the interest rate risk of all net positions for each settlement date and is calculated by the formula:

$$IRRisk_f = \sum_{T_i=T_0}^{T_n} IRRisk_{fT_i}$$

The interest risk of the net position for a certain settlement date  $T_i$  for a particular security or foreign currency  $f$  is calculated as follows:



$$IRRisk_{fTi} = \begin{cases} Q_{fTi} \times (RRH_{1fTi} - RepoR_{fTi} / SwapCurr_{Ti}), & \text{если } |Q_{fTi}| \leq L_{conc} \text{ и } Q_{fTi} < 0; \\ Q_{fTi} \times (RepoR_{fTi} / SwapCurr_{Ti} - RRL_{1fTi}), & \text{если } |Q_{fTi}| \leq L_{conc} \text{ и } Q_{fTi} > 0; \\ Q_{fTi} \times (RRH_{2fTi} - RepoR_{fTi} / SwapCurr_{Ti}), & \text{если } |Q_{fTi}| > L_{conc} \text{ и } Q_{fTi} < 0; \\ Q_{fTi} \times (RepoR_{fTi} / SwapCurr_{Ti} - RRL_{2fTi}), & \text{если } |Q_{fTi}| > L_{conc} \text{ и } Q_{fTi} > 0; \end{cases}$$

RepoR<sub>fTi</sub> – settlement repo rate with the settlement date Ti, determined in accordance with the Methodology;

RRH<sub>1fTi</sub>, RRL<sub>1fTi</sub> – upper and lower limits of the range of interest rate risk assessment for a security or foreign currency f, determined from the interest rate risk rate and calculated in accordance with the Methodology;

RRH<sub>2fTi</sub>, RRL<sub>2fTi</sub> – upper and lower limits of the range of interest rate risk assessment for a security or foreign currency f, determined from the interest rate risk and calculated in accordance with the Methodology.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019).*

#### **Article 34. Recognition of a clearing member unscrupulous in the stock market**

1. The clearing unit shall recognize a clearing member of the stock market as unscrupulous in the event of any of the following cases:
  - 1) there is no necessary number of financial instruments recorded on the clearing account of a clearing member for the fulfilment of its total net obligations under transactions with CCP as of the time specified in the Regulations and/or the fulfilment of net obligations cannot be carried out due to the refusal of settlements by the Central Depository (default of net obligations);
  - 2) failure of a clearing member to comply with the margin-call requirement on the transactions with CCP within the deadline set by item 2 of Article 31-4 of these Rules (default by margin);
  - 3) failure of a clearing member of the stock market with partial collateral of the requirement to replenish the guarantee contribution within the timeframe set by item 3 of Article 28 of these Rules (default on the guarantee contribution);
  - 4) there is no required number of financial instruments recorded on the clearing account of a clearing member for the fulfilment of its obligations under a transaction without CCP or the User of the Control and Security System refused to confirm the transaction within the timeframe established in accordance with Rules T0 (default on transactions without CCP).
2. Recognition of a clearing member of the stock market as unscrupulous shall be subject to items 2 and 3 of Article 19 of these Rules.
3. When a clearing member of the stock market is recognized as unscrupulous, the Exchange carries out general actions under Article 19 of these Rules.
4. When a clearing member of the stock market is recognized as unscrupulous, in the event of default on net obligations in accordance with sub-item 1) of item 1 of this article, the Exchange shall perform the rollover of the position in accordance with Article 34-1 of these Rules.
5. If the clearing member of the stock market is recognized unscrupulous, in the event of a default on margin in accordance with sub-item 2) of item 1 of this article, the Exchange shall perform the following actions:

- 1) withdraws and suspends submission of orders for all trading and clearing accounts, the fulfilment of obligations for which is ensured from the clearing account, in which the default occurred;
  - 2) submits to the Management Board the issue of declaring an unscrupulous clearing member insolvent in the stock market due to a default on margin.
6. If the clearing member of the stock market is recognized unscrupulous, in the event of a default on guarantee contribution in accordance with sub-item 3) of item 1 of this article, the Exchange shall perform the following actions:
- 1) withdraws and suspends submission of orders for all trading and clearing accounts of an unscrupulous clearing member;
  - 2) sets a restriction on the minimum allowable positive value of net positions for any financial instrument recorded in own trading and clearing account of an unscrupulous clearing member in the amount of the claim to replenish the guarantee contribution;
  - 3) submits to the Management Board the issue of declaring an unscrupulous clearing member insolvent in the stock market due to a default on the guarantee contribution and the issue of changing the category of a clearing member from category "with partial collateral" to the "full coverage" category.
7. In the cases specified in sub-item 4) of item 1 of this article, the Exchange shall act in accordance with the Rules T0.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019).*

**Article 34-1. The procedure for rollover of a position in the stock market**

1. If a clearing member is recognized as unscrupulous in the event of default of net obligations, the clearing member has the right to conclude rollover transactions by concluding repo and (or) swap transactions in the "Self-regulation" trading modes, leading to sufficiency of financial instruments in the clearing accounts of a clearing member.  
  
If, at the end of the time specified in the Regulations, for the performance of transactions in the "Self-Regulation" trading modes, the unscrupulous clearing member has net obligations, for the fulfilment of which there are insufficient financial instruments, the Exchange shall carry out procedures for settlement of default on net obligations in accordance with item 3 of this article.
2. If, prior to the submission of orders by the Exchange on behalf of an unscrupulous clearing member in order to rollover its outstanding net obligation, this unscrupulous clearing member has credited the missing amount of financial instruments to the KASE correspondent account with the Central Depository and (or) to the KASE section, the Exchange discontinues rollover procedures provided for in this article.
3. The rollover of net obligations of an unscrupulous clearing member is carried out by means of concluding repo and (or) swap transactions between the Exchange and the unscrupulous clearing member, acting on its behalf and on the terms specified in item 6 of this article:
  - in the event of default of a net obligation in securities, a repo transaction to sell or buy such securities is concluded in the amount of outstanding net obligation for tenge, and in case of insufficient tenge, additional repo and (or) swap transactions to sell or buy securities and (or) foreign currency are concluded, if net claims of an unscrupulous clearing member with current settlement date are formed in other securities or in foreign currency in the amount necessary for fulfilling net obligations in tenge with current settlement date;

- in the event of default of net obligations in money, a repo transaction to sell or buy securities available on the clearing account, which defaulted on net obligations and are included in the Collateral List T + is concluded for tenge, or for which there is a net claim with current settlement date and additional amount required to perform outstanding net obligations.

In the event that the default of net obligations occurred in foreign currency, an additional swap transaction to sell or buy foreign currency in the amount of outstanding net obligation in foreign currency is concluded.

4. In order to fulfill the Exchange's net obligations to bona fide clearing members, the Exchange shall settle net obligations arising from transactions involving the rollover of net obligations of an unscrupulous clearing member on the terms specified in item 6 of this article, by any method listed below in the indicated sequence in accordance with the Regulations:
  - 1) at the expense of their own funds, in cases and in the manner provided for by the Exchange's internal documents;
  - 2) concludes repo / swap transactions on its own behalf by filing orders in trading modes "Settlement" with the Central counterparty opened in accordance with the Rules with any clearing member that has satisfied the submitted order;
  - 3) concludes repo / swap transactions on its behalf with a voluntary provider that has the necessary financial instrument recorded on the trading and clearing accounts in respect of which it acts as a voluntary provider, acting on its behalf by means of concluding repo / swap transactions using method of direct transactions in technological trading modes;
  - 4) concludes repo / swap transactions on its behalf with any clearing member that has necessary financial instrument recorded on its own trading and clearing account, acting on its behalf by means of conclusion of repo / swap transactions carried out by the method of direct transactions in technological trading modes;
  - 5) concludes repo / swap transactions on its behalf with any clearing member having counterclaims with the current settlement date for the necessary financial instrument recorded on its trading and clearing account (own or client), acting on its behalf by means of conclusion of repo / swap transactions carried out by the method of direct transactions in technological trading modes;
5. In the case of rollover transactions in accordance with sub-items), 4) and 5) of item 4 of this article and the presence of several trading and clearing accounts, the choice of a trading and clearing account for the implementation of the rollover transaction is carried out in accordance with an algorithm that takes into account the date of the last use of one or another trading and clearing account and the sufficiency of the number of financial instruments recorded in such a trading and clearing account for concluding the rollover transaction.
6. Repo / swap transactions in order to rollover positions with unscrupulous and bona fide clearing member are concluded by the Exchange on the following conditions:
  - 1) The date of execution of the repo/swap transaction with an earlier settlement date is the day when the rollover transaction is concluded;
  - 2) repo / swap transaction term - one settlement day;
  - 3) The date of execution of the repo/swap transaction with a later settlement date is the settlement date following the date of the repo opening transaction;

- 4) The opening price of the repo transaction is set in accordance with the Exchange's internal document "The Procedure for Executing Transactions on the Stock Market in the ASTS + Trading System";

The swap opening transaction rate is set equal to the settlement price of SwapCurrT1 swap transactions calculated in accordance with the Methodology;

- 5) The repo / swap transaction price is equal to the penalty rate established in accordance with the Methodology for the financial instrument that is the subject of the settlement.

The information about the current values of penalty rates set for financial instruments is available for viewing in the ASTS+ trading and clearing system and is published on the Exchange's website ([www.kase.kz](http://www.kase.kz)).

7. The Exchange does not carry out the rollover procedure for outstanding net obligation/net claim on a client/client custodial clearing account of a clearing account of an unscrupulous clearing member, but proceeds to the procedure of its forced liquidation without the Management Board's decision in the event of default of net obligations due to the refusal to write off/credit securities by the Central Depository.

The forced liquidation of an outstanding net obligation / net claim on a client / client custodial clearing account of an unscrupulous clearing member is carried out with the aim of rolling over such non-fulfilment from a client / client custodial clearing account to its own clearing account of an unscrupulous clearing member by means of the following transactions concluded by the Exchange:

- in the event of the Central Depository's refusal to write off securities, a direct transaction is concluded to purchase such securities on a client / client custodial TCA and sell them from their own TCA at current settlement price set for such security for tenge;
- in the event of the Central Depository's refusal to record the securities, a direct transaction is concluded to sell from the client / client custodial TCA and to purchase such securities on their own TCA for tenge at the current settlement price set for such a security.

In the event of the Central Depository's refusal to settle the securities that are not on the List T+, the purchase/sale transaction is carried out without checking the collateral.

In the event of the Central Depository's refusal to settle the securities that are not on the List T+, the purchase/sale transaction is carried out with verification of the adequacy of collateral.

In the event of insufficient financial instruments on the clearing member's own clearing account for the fulfilment of net obligations formed as a result of the forced liquidation of securities included in the List T+, the Exchange, on behalf of the unscrupulous clearing member, carries out rollover procedures in accordance with items 3-6 of this article.

In the event of insufficient financial instruments on the clearing member's own clearing account for the fulfilment of net obligations formed as a result of the forced liquidation of securities not included in the List T+, the clearing member must perform outstanding obligations no later than the closing of the last clearing session.

8. The Exchange, acting on behalf of an unscrupulous, as well as on behalf of bona fide clearing members in relation to itself, carries out all legal and actual actions necessary to conclude transactions in accordance with these Rules without special authority (power of attorney), as well as without the consent of an unscrupulous clearing member and bona fide clearing members.

9. An unscrupulous clearing member, as well as bona fide clearing members whose trading and clearing accounts were used to carry out transactions within the framework of the settlement, must fulfill obligations on all transactions concluded on their behalf by the Exchange carried out in accordance with this article.
10. The Exchange charges a penalty to an unscrupulous clearing member in the stock market, which is mandatory for payment in accordance with Article 29 of these Rules for applying rollover procedures and (or) for applying forced liquidation procedures, as well as for outstanding net obligations arising from these procedures

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019)*

**Article 35. Recognition of a Clearing Member Insolvent in the Stock Market**

1. The clearing unit submits to the Exchange's Management Board for consideration the issue of declaring an unscrupulous clearing member of the stock market insolvent on the basis of sub-item 1) of item 1 of Article 20 in the following cases:
  - 1) in the event of default on net obligations before 10.30 ALT of the clearing day:
    - if the procedures to rollover outstanding net obligations on a certain clearing account for money were carried out two previous clearing days in a row;
    - if the procedures to rollover outstanding net obligations on a certain clearing account for securities were carried out four previous clearing days in a row;
    - If a clearing member has outstanding obligations at the end of the previous clearing day;
  - 2) if the margin-call has not been eliminated by 2:00 p.m. ALT of the clearing day on which it was set before 2:30 p.m. ALT of that day;
  - 3) In the event of non-performance/incomplete performance of the obligation to make a guarantee contribution by 10.30 ALT of the clearing day following the day on which they must be executed;
2. In the event the Exchange Board decides to declare a clearing member insolvent, the Exchange shall carry out procedures to resolve the default of the insolvent clearing member in accordance with Article 21 of these Rules.

*(This article is included by the decision of the Board of Directors of the Exchange of September 24, 2019).*

**Chapter 5. FEATURES OF THE FOREIGN EXCHANGE MARKET**

**Article 36. Features of the Foreign Exchange Market**

1. The Exchange acts as the Central Counterparty for transactions of clearing members with all foreign currencies in the foreign exchange market.
2. The Exchange performs common clearing on transactions with financial instruments of the spot and swap sections (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
3. The Exchange performs clearing activities for clearing members without collateral, with partial collateral and with full coverage in the foreign exchange market.

4. Clearing members of the foreign exchange market open their own and/or general client clearing account of a clearing member subject to the exception established by item 5 of this article (this item was amended by the decision of the Board of Directors of the Exchange of December 12, 2018).
5. Separate client clearing accounts are opened for the National Bank for the purpose of segregated accounting of the assets held by National Bank in trust, as well as separate cash accounts and sub-accounts in the internal accounting system of the Exchange if the National Bank has identified separate correspondent accounts for the settlement of transactions made using such assets.
6. Information on transactions concluded in the foreign exchange market is verified by clearing members of the foreign exchange market within 15 minutes from the receipt of clearing reports in accordance with Article 6 of these Rules (this item was amended by the decision of the Board of Directors of the Exchange of May 28, 2019).

**Article 37. Settlements in the Foreign Exchange Market. Depositing Collateral**

1. The Exchange, as a settlement organization for transactions in the foreign exchange market, opens own and client collateral accounts (if required) to a clearing member of foreign exchange market in order to ensure the performance of its net obligations based on the clearing results.
2. Settlements for transactions in the foreign exchange market are carried out in accordance with the Currency Settlement Rules (this item was amended by the decision of the Board of Directors of the Exchange of December 12, 2018).
3. A clearing member of the foreign exchange market must ensure that money is credited to fulfill its obligations based on the results of the last clearing session to the Exchange's correspondent accounts in those amounts and at such times depending on the category assigned to it:
  - 1) "without collateral" in full in those currencies in which its net obligations were formed on the current settlement day;
  - 2) "with full coverage" in full until the occurrence of such obligations (before submitting relevant order to the Exchange's trading system);
  - 3) "with partial collateral" in full in those currencies in which net obligations arose on the current settlement day, as well as in the amount of margin requirements presented by the Exchange to this clearing member, for obligations with future settlement dates in accordance with the Currency Settlement Rules (this sub-item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
4. The Exchange's fulfilment of net claim of a clearing member of the foreign exchange market following the results of the clearing session is carried out only if it fully fulfills its net obligations for this session (this item was changed by a decision of the Exchange Board of Directors dated May 28, 2019).
5. Clearing members of the foreign exchange market deposit cash to fulfill their net obligations and clearing members of the foreign exchange market with partial collateral deposit margin collateral to the Exchange's correspondent accounts on the terms and conditions established by the Currency Settlement Rules (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
6. The transfer of money in relevant currency for the purposes specified in item 5 of this article is done with indication of special codes with the purpose of the payment in the payment documents. A list of such codes is published on the

Exchange website (www.kase.kz) (this item was changed by a decision of the Exchange Board of Directors dated December 12, 2018).

7. The penalty for violation of payment discipline by a clearing member of the foreign exchange market on the fulfilment of net obligations and obligations on margin collateral is determined by the Currency Settlement Rules (this item was changed by a decision of the Exchange Board of Directors dated December 12, 2018).
8. The procedure and conditions for the return of money to clearing members of the foreign exchange market recorded on its collateral accounts are determined by the Currency Settlement Rules (this item was changed by a decision of the Exchange Board of Directors dated December 12, 2018).

**Article 38. Risk Management System in the Foreign Exchange Market**

1. The risk management system in the foreign exchange market consists of the following element:
  - 1) monitoring the financial condition of a clearing member in the foreign exchange market on a periodic basis in order to determine whether the clearing member meets the requirements of the category assigned to such clearing member that determines the way to ensure fulfilment of obligations on transactions (this sub-item was changed by a decision of the Exchange Board of Directors dated December 12, 2018);
  - 2) risk parameters of the foreign exchange market:

settlement rates of foreign currencies for each settlement date calculated online during trading in accordance with the Methodology (this item was changed by a decision of the Exchange Board of Directors dated January 29, 2019);

Rates of surmountable limits of deviation of foreign currency prices set in accordance with the internal document of the Exchange "Regulations of Trades and the Confirmation System Operation";

initial margin rates and interest rate risk rates for foreign currencies established in accordance with the Methodology (this item was changed by a decision of the Exchange Board of Directors dated May 28, 2019);

concentration limits for foreign currencies established in accordance with the Methodology;

concentration rates of foreign currencies and interest risk rates for concentration established in accordance with the Methodology (this item was changed by the decisions of the Exchange's Board of Directors of January 29, 2019 and May 28, 2019);

individual margin rates established by the Exchange's Management Board to certain clearing members with partial collateral in accordance with the Regulation (hereinafter referred to as individual margin rates) (this item was supplemented by a decision of the Exchange's Board of Directors dated January 29, 2019).
  - 3) limits for opening net positions of a clearing member with partial collateral established by the Management Board of the Exchange (this sub-item was changed by the decisions of the Board of Directors of the Exchange dated December 12, 2018 and January 29, 2019);
  - 4) preliminary control of the adequacy of the collateral for the clearing member of the foreign exchange market with full coverage of outstanding net obligations in relevant currency for transactions made as well as obligations that may arise when executing orders submitted to the trading system using the automated module built into the trading system;

- 5) margin collateral of a clearing member of the foreign exchange market with partial collateral, the market value of which is recalculated online in accordance with item 6 of Article 39 of these Rules using the automated module (this sub-item was changed by a decision of the Exchange Board of Directors dated December 12, 2018);
  - 6) revaluation of net positions, assessment of market risks and calculation of margin requirements for net positions of a clearing member of the foreign exchange market with partial collateral online in accordance with item 7 of Article 39 of these Rules using an automated module;
  - 7) control of the adequacy of the margin collateral of a clearing member in the foreign exchange market with partial collateral based on the single limit calculated in accordance with Article 39 of these Rules using an automated module;
  - 8) clearing reserve fund of the foreign exchange market;
  - 9) clearing guarantee fund of the foreign exchange market;
  - 10) control of the adequacy of guarantee contributions of clearing members in the foreign exchange market with partial collateral to the clearing guarantee fund of the foreign exchange market on a daily basis;
  - 11) default settlement procedures;
  - 12) limitation of the Exchange's liability as a Central Counterparty for the fulfilment of net obligations on the transactions to clearing members of the foreign exchange market in accordance with these Rules.
2. Financial instruments accepted as margin collateral for fulfilling margin requirements of a clearing member of the foreign exchange market with partial collateral are as follows:
    - 1) tenge;
    - 2) US dollars in the amount of not more than 50% of the size of margin requirements (this sub-item was changed by a decision of the Exchange Board of Directors dated April 26, 2019).
  3. A clearing member of the foreign exchange market with partial collateral must ensure the availability of money on its collateral accounts in order to fulfill margin requirements calculated in accordance with Article 39 of these Rules during trading sessions in the amount that does not allow the negative value of its single limit.
  4. A clearing member of the foreign exchange market with partial collateral may not demand the return of financial instruments stored on its collateral accounts on the Exchange if this use leads to a negative value of its single limit on the foreign exchange market.
  5. If, according to the results of checking the adequacy of margin collateral, the single limit is a negative value, then the requirement for a clearing member to add margin collateral (margin call) will be indicated in the clearing report, which arose as a result of a negative value of the single limit.
  6. If the requirement for the size of the guarantee contribution is not fulfilled based on the results of the checking, then the requirement to replenish it shall be indicated in the clearing report.
  7. The requirement to add margin collateral specified in item 5 of this article must be met by a clearing member no later than the clearing day on which such requirements arise.

The requirement specified in the first paragraph of this item shall be deemed fulfilled at the time when the value of a single limit is no longer negative.



8. The amount of guarantee contributions to clearing guarantee funds, as well as the procedure for their depositing and return is set by Article 18 of these Rules (this item was changed by the decision of the Board of Directors of the Exchange dated December 12, 2018).

**Article 39. Single Limit on the Foreign Exchange Market**

1. The purpose of applying a single limit on the foreign exchange market is to measure and maintain sufficient level of margin collateral required for submission of orders and for concluding transactions for each trading account of a clearing member of the foreign exchange market with partial collateral.
2. The single limit on the foreign exchange market is calculated separately for own account and for client account of a clearing member of the foreign exchange market (if available).
3. The procedure for calculating a single limit on the foreign exchange market is the same for both own clearing accounts and client clearing accounts of a clearing member of the foreign exchange market with partial collateral.
4. The calculation (recalculation) of a single limit on the foreign exchange market on a clearing account of a clearing member of the foreign exchange market with partial collateral is carried out in the clearing system during the clearing session, as well as in real time during the trading session if any of the following occurs:
  - 1) accepting an order to buy or sell financial instruments of the foreign exchange market in the Exchange's trading system on a trading and clearing account of a clearing member;
  - 2) conclusion of a transaction for buying or selling financial instruments of the foreign exchange market in the Exchange's trading system on a trading and clearing account of a clearing member;
  - 3) based on the results of the clearing session, taking into account the fulfilment (termination) of net obligations and net claims of the current settlement day;
  - 4) change in the values of risk parameters of financial instruments of the foreign exchange market.
5. The calculation of a single limit on the foreign exchange market for a certain clearing account (own or client) is made according to the following formula (this item was changed by the decision of the Board of Directors of the Exchange of January 29, 2019):

$$LV = MC - MT, \text{ where:}$$

(This paragraph was changed by a decision of the Exchange's Board of Directors dated January 29, 2019);

- LV – value of a single limit in the foreign exchange market expressed in national currency;
- MT – margin requirements expressed in the national currency (this item was changed by the decision of the Board of Directors of the Exchange of January 29, 2019);
- MC – value of margin collateral expressed in the national currency (this item was changed by a decision of the Exchange's Board of Directors dated December 12, 2018).
6. The value of margin collateral for a particular clearing account is calculated as the total market value of money held at the time of settlement on the collateral accounts opened for this clearing account, expressed in tenge, taking into

account discounts and restrictions on the maximum amount of collateral established for each foreign currency according to the formula:

$$MC = \min \left\{ \frac{\text{Collateral}_{\text{USD}} \times \text{RateBase}_{\text{USD}} \times (1 - \text{Rate\_FXRisk}_{\text{USD}})}{\max\_USD \times MT}, \text{Collateral}_{\text{KZT}} \right\}, \text{ where:}$$

- MC – assessment of the value of margin collateral held in collateral accounts for the clearing account;
- MT – marginal requirements defined in accordance with item 5 of this article;
- Collateral(USD) – the amount of collateral in US dollars held on the collateral account in US dollars opened for a certain clearing account of a clearing member with partial collateral
- max\_USD – the maximum amount of collateral in US dollars established by sub-item 2) of item 2 of Article 38 of these Rules;
- Collateral(KZT) – the amount of collateral held in the collateral account in tenge open for a certain clearing account of a clearing member with partial collateral;
- Rate\_FXRisk<sub>USD</sub> – a discount equal to the initial margin rate for the US dollar or the concentration rate for the US dollar determined in accordance with sub-item 2 of item 7 of this article or equal to the individual margin rate, if any;
- RateBase<sub>USD</sub> – the base rate of the US dollar established in accordance with the Methodology.

*(This paragraph was changed by a decision of the Exchange's Board of Directors dated January 29, 2019)*

7. The calculation of margin requirements for a certain clearing account is carried out in the following order:

1) revaluation of the value of net positions on all currencies for all settlement dates at current rates in accordance with the following formula:

$$MTM(\text{Netto}) = \sum_{T_i = T_0, T_1, \dots, T_n} \left( \sum_{\text{allCurr}} \text{Netto}(\text{Curr})_{T_i} \times \text{Rate}_{\text{Curr}}_{T_i} + \text{Netto}(\text{KZT})_{T_i} \right), \text{ where:}$$

- MTM(Netto) – mark-to-market - revaluation of the value of net positions expressed in tenge;
- T<sub>i</sub> – settlement date of net positions on the i-th settlement day;
- T<sub>0</sub> – date of current trading day;
- T<sub>1</sub> – settlement date following the date T<sub>0</sub>, at which any net position exists;
- T<sub>n</sub> – the last settlement date at which any net position exists;
- allCurr – all types of foreign currencies in which there are net positions;
- Netto(Curr)<sub>T<sub>i</sub></sub> – the total net position for a certain foreign currency Curr on the date of settlement of T<sub>i</sub> for concluded transactions and those orders in the trading system, the conclusion of transactions for which leads to the highest value of this net position; long

net position is recorded with plus sign (claims), short net position (obligations) is recorded with minus sign;

- Netto(KZT)<sub>Ti</sub> – the total net position in KZT on the date of settlement of Ti on concluded transactions and those orders in the trading system, the conclusion of transactions on which leads to the highest value of this net position, long net position is recorded with plus sign (claims), short net position (obligations) is recorded with minus sign;
- Rate\_Curr<sub>Ti</sub> – settlement rate of a foreign currency Curr to KZT for the date Ti determined in accordance with the Methodology;

*(This sub-item was changed by a decision of the Exchange's Board of Directors dated January 29, 2019)*

- 2) calculation of the size of the currency risk of the Portfolios in all foreign currencies due to the volatility of the exchange rates of these foreign currencies.

The portfolio in a certain foreign currency Curr is calculated as the absolute value of the total net positions for this foreign currency for all settlement dates according to the following formula:

$$\text{Portfolio}(\text{Curr}) = \text{ABS}(\text{Netto}(\text{Curr})) , \text{ where:}$$

- Portfolio(Curr) – value of the Portfolio in foreign currency Curr;
- Netto(Curr) – the total value of the net position for all settlement dates in foreign currency Curr calculated by the formula:

$$\text{Netto}(\text{Curr}) = \sum_{Ti=T0...Tn} \text{Netto}(\text{Curr})_{Ti} , \text{ where:}$$

Ti, T0, T1, Tn, are defined by sub-item 1) of this item.

The amount of currency risk for the Portfolio in a certain currency is defined as the product of the size of the Portfolio in a certain currency and the rate of currency risk in the corresponding foreign currency, depending on the size of the Portfolio in this currency:

$$\text{FXRisk}(\text{Curr}) = \text{Portfolio}(\text{Curr}) \times \text{RateBase}_{\text{Curr}} \times \text{Rate}_{\text{FXRisk}_{\text{Curr}}} , \text{ where:}$$

- FXRisk(Curr) – the amount of currency risk on the Portfolio in foreign currency Curr;
- RateBase\_Curr – base rate of foreign currency Curr to KZT;
- Rate\_FXRisk<sub>Curr</sub> – the initial margin rate in foreign currency Curr or the concentration rate in foreign currency Curr defined depending on the size of the Portfolio in the corresponding foreign currency Curr, or an individual margin rate if available:

$$\text{Rate}_{\text{FXRis}} k_{\text{Curr}} = \begin{cases} \text{MR}_{\text{Curr}} , \text{ если } \text{Rate}_{\text{FXRis}} k_{\text{Curr}} < \text{Limit}_{\text{Curr}} \\ \text{ConcR}_{\text{Curr}} , \text{ если } \text{Rate}_{\text{FXRis}} k_{\text{Curr}} \geq \text{Limit}_{\text{Curr}} \\ \text{MR}_{\text{Ind}} \end{cases} , \text{ where:}$$

Limit\_Curr – concentration limit for foreign currency Curr determined in

accordance with Article 13 of these Rules;

$MR_{Curr}$  – the initial margin rate on foreign currency Curr, determined in accordance with Article 12 of these Rules;

$ConcRCurr$  – concentration rate in foreign currency Curr determined in accordance with Article 14 of these Rules;

$MR_{Ind}$  – individual margin rate.

The total amount of currency risk on the Portfolio in all foreign currencies is equal to the sum of the sizes of currency risk on the Portfolio in each foreign currency Curr:

$$FXRisk = \sum_{allCurr} FXRisk (Curr), \text{ where:}$$

$allCurr$  – defined by sub-item 1) of this item;

*(This sub-item was changed by a decision of the Exchange's Board of Directors dated January 29, 2019)*

3) calculation of the size of the interest rate risk of the Portfolios in all foreign currencies, due to the volatility of the prices of swap transactions.

The interest rate risk for the Portfolio in a certain currency with a certain settlement date is calculated as the product of the net position size in this currency and the interest risk rate for the corresponding foreign currency for the corresponding settlement date:

$$IRisk (Curr) = \sum_{T_i = T_0 \dots T_n} Netto (Curr)_{T_i} \times Rate_{Curr_{T_i}} \times \frac{RateIRisk_{Curr_{T_i}}}{365} \times (T_i - T_0), \text{ where:}$$

$IRisk(Curr)$  – the size of the interest rate risk for the Portfolio in foreign currency Curr;

$Netto(Curr)_{T_i}$  – defined by sub-item 1) of this item;

$Rate_{Curr_{T_i}}$  – settlement rate of a foreign currency Curr on the settlement date  $T_i$ , determined in accordance with the Methodology.

$RateIRisk_{Curr_{T_i}}$  – interest rate of risk in foreign currency Curr for settlement date  $T_i$  or interest rate of concentration in foreign currency Curr for settlement date  $T_i$  determined depending on the size of the Portfolio in the respective currency:

$$RateIRisk_{Curr_{T_i}} = \begin{cases} IR_{Curr_{T_i}}, & \text{если } Portfolio(Curr) < Limit_{Curr} \\ ConcR_{Curr_{T_i}}, & \text{если } Portfolio(Curr) \geq Limit_{Curr} \end{cases}, \text{ where:}$$

$Portfolio(Curr)$  – defined by sub-item 2) of this item;

$Limit_{Curr}$  – defined by sub-item 2) of this item;

$IR_{Curr_{T_i}}$  – interest rate of risk in foreign currency Curr for the settlement date  $T_i$  determined in accordance with the Methodology;

ConclR\_CurrTi – interest risk rate for concentration in foreign currency Curr, for the settlement date Ti, determined in accordance with the Methodology;

The total interest rate risk for the Portfolio in all foreign currencies is equal to the sum of the interest risk for the Portfolio in each foreign currency:

$$IRisk = \sum_{allCurr} IRisk (Curr)$$

*(This sub-item was changed by a decision of the Exchange's Board of Directors dated January 29, 2019)*

- 4) margin requirements for a particular clearing account are calculated as the sum of the revaluation of the value of net positions, the size of currency risk and the size of interest rate risk for these positions according to the following formula:

$$MT = \min \left\{ \begin{array}{l} -MTM(Netto) + FXRisk + IRisk \\ 0 \end{array} \right.$$

The designation MT is established by item 5 of this article, the designations MTM(Netto), FXRisk and IRisk are established by sub-items 1), 2) and 3) of this item, respectively.

*(This sub-item was changed by the decisions of the Board of Directors of the Exchange dated December 12, 2018, January 29, 2019 and May 28, 2019).*

8. The value of the single limit in order to control the adequacy of the margin collateral of the clearing account should not be a negative value.

If the value of the single limit specified in the first paragraph of this item is negative, then the requirements apply for the margin call to be added by a clearing member in accordance with item 5 of Article 38 of these Rules (this item was changed by a decision of the Exchange Board of Directors dated December 12, 2018).

#### **Article 40. Recognition of a Clearing Member Unscrupulous in the Foreign Exchange Market**

1. The clearing unit recognizes a clearing member of the foreign exchange market as unscrupulous in the following cases (this item was changed by the Exchange Board of Directors decision of December 12, 2018):
  - 1) there is no necessary amount of money in the accounts of there is no necessary amount of money in the collateral accounts of this clearing member for fulfilment of net obligations at the point in time (hereinafter referred to as the CM net settlement time) until which the national or foreign currency must be deposited by a clearing member to the Exchange's correspondent accounts in accordance with the Currency Settlement Rules (default on net obligations) (this sub-item was changed by the decisions of the Exchange's Board of Directors of January 29, 2019 and May 28, 2019);
  - 2) there is no necessary amount of money in the collateral account of a clearing member of the foreign exchange market with partial collateral for fulfilling margin requirements in accordance with the Currency Settlement Rules (this sub-item was changed by the decision of the Exchange's Board of Directors of May 28, 2019);
  - 3) the requirement to restore the guarantee contribution within the period established by item 3 of Article 28 (default on guarantee contribution) has not been fulfilled by a clearing member of the foreign exchange market with partial collateral.

2. The recognition of a clearing member in the foreign exchange market as unscrupulous is subject to the following conditions:
  - 1) fulfilment of the conditions of items 1-1 and 1-2 of Article 19 of these Rules;
  - 2) rollover of position on the default on net obligations of unscrupulous clearing member made on the previous settlement date was carried out in a manner different from the method specified in sub-item 2) of item 2 of Article 41 of these Rules (if any).

*(This paragraph was changed by a decision of the Exchange's Board of Directors dated January 29, 2019)*

3. When a clearing member of the foreign exchange market is declared as unscrupulous, the Exchange carries out general actions under Article 19 of these Rules.
4. If a clearing member of the foreign exchange market is declared as unscrupulous in the event of a default on net obligations, the Exchange shall conduct position rollover procedure providing for the Exchange to enter into a swap transaction to rollover the Exchange's outstanding net obligation to bona fide clearing members due to non- fulfilment of a similar net obligation of the unscrupulous clearing member to the Exchange on the next settlement day in accordance with Article 41 of these Rules.
5. *(This item was changed by the decision of the Exchange's Board of Directors dated January 29, 2019);*
6. If a default occurs for any of the cases specified in item 1 of this article, the Exchange's clearing unit submits, by 10.00 ALT of the clearing day following the day of default, for consideration by the Exchange's Board of Directors, the issue of non-application or application of any measures with respect to an unscrupulous clearing member, including suspension of an unscrupulous clearing member - a member of the Exchange from participating in trading in all or certain financial instruments in accordance with the Exchange's internal document "Membership Regulations" and / or changing the category of a clearing member "with partial collateral" to the category "with full coverage" and / or suspending the clearing service and / or declaring the unscrupulous clearing member insolvent (this item was changed by the Exchange's Board of Directors decisions of December 12, 2018 and May 28, 2019).

**Article 41. The Procedure for Position Rollover in the Foreign Exchange Market**

1. If a clearing member of the foreign exchange market is declared unscrupulous in the event of a default on net obligations, the Exchange shall take the following actions to settle outstanding net obligations of an unscrupulous clearing member (this item was changed by a decision of the Exchange Board of Directors dated May 28, 2019):
  - 1) inform an unscrupulous clearing member that it was declared the unscrupulous clearing member by any means available within 30 minutes after the time of net settlement;
  - 2) settle outstanding net obligations of an unscrupulous clearing member at the expense of available funds transferred by that member to collateral accounts and/or concludes swap transaction on behalf of the unscrupulous clearing member in accordance with item 3 of this article.

The Exchange has the right to cancel execution of actions described in the first paragraph of this sub-item if the money is received for payment of net obligations until the settlement of the Exchange's outstanding net obligations to bona fide clearing members.

2. In order to fulfill the Exchange's net obligations to bona fide clearing member, the Exchange shall settle by any of the methods listed below (this item was changed by a decision of the Exchange Board of Directors dated May 28, 2019):
  - 1) concludes swap transaction with the Bank Provider on the terms specified in item 4 of this article;
  - 2) concludes swap transaction with the National Bank on the terms specified in item 4 of this article;
  - 3) the National Bank shall provide an overdraft loan to the Exchange as a central counterparty on the Exchange's correspondent account with the National Bank;
  - 4) using own funds;
  - 5) if it is impossible to settle the Exchange's outstanding net obligation by all of the above methods, the Exchange carries out the separation procedure in accordance with Article 22 of these Rules and concludes a swap transaction with each bona fide clearing member, acting on their behalf, for the amount of defaulted net claims determined by the results of the separation procedure, under the conditions specified in item 4 of this article.
3. The rollover of the fulfilment of net obligations of an unscrupulous clearing member to the Exchange through the conclusion of a swap transaction is carried out between the Exchange and the unscrupulous clearing member, acting on its behalf, subject to the conditions specified in item 4 of this article, but in the opposite direction (the Exchange sells the financial instrument, in which the Exchange's unfulfilled net claim is expressed, to the unscrupulous clearing member) (this item was changed by a decision of the Exchange Board of Directors dated May 28, 2019).
4. Repo transaction is concluded by the Exchange on the following terms to rollover the obligations unfulfilled by the Exchange to bona fide clearing members:
  - 1) the date of fulfilment of obligations under the swap operation with an earlier settlement date is the day of non- fulfilment of the counter net obligations of the unscrupulous clearing member to the Exchange;
  - 2) the duration of the swap transaction is one day;
  - 3) the date of fulfilment of obligations on swap transaction with a later settlement date is the settlement date following the date of the swap opening transaction;
  - 4) volume of swap opening transaction is equal to the amount of outstanding net obligation of an unscrupulous clearing member to the Exchange. Rounding arising from multiplicity of lots is done upward;
  - 5) swap transaction is done as purchase of a financial instrument in which the outstanding net obligation of an unscrupulous clearing member is expressed;
  - 6) swap opening transaction rate is set equal to the price of the opening swap transaction  $Price_{OPEN}$  swap calculated in accordance with the Exchange's internal document "Specification of Currency Swap Transactions";
  - 7) the price of the swap transaction is equal to the default rate of settlement of SD, established in accordance with the Methodology for the currency in which the net obligation is formed, which is the object of the position rollover.
5. The Exchange, acting on behalf of an unscrupulous, as well as on behalf of bona fide clearing members in relation to itself, carries out all legal and actual actions necessary to conclude transactions in accordance with these Rules without

special authority (power of attorney), as well as without the consent of an unscrupulous clearing member and bona fide clearing members (this item was changed by a decision of the Exchange Board of Directors dated December 12, 2018).

6. An unscrupulous clearing participant, as well as bona fide clearing participants, must fulfill obligations on all transactions concluded by the Exchange on their behalf in order to rollover the position in accordance with this article (*this item was changed by a decision of the Exchange Board of Directors dated December 12, 2018*).
7. The Exchange shall charge the unscrupulous clearing member of the foreign exchange market a binding penalty for applying the position rollover procedure in accordance with sub-item 1) of item 5 of Article 29 of these Rules.
8. The Exchange has the right to use the collateral and / or guarantee contributions of an unscrupulous clearing member of the foreign exchange market to pay the penalty / fines established in accordance with Article 29 of these Rules.

**Article 42. Recognition of a Clearing Member Insolvent in the Foreign Exchange Market**

1. The clearing unit submits to the Exchange's Management Board for consideration the issue of declaring an unscrupulous clearing member of the foreign exchange market insolvent on the basis of sub-item 1) of item 1 of Article 20 no later than 10.00 ALT on the working day on which any of the following cases occurs:
  - 1) upon the occurrence of a default on net obligation of an unscrupulous clearing member for two consecutive previous clearing days;
  - 2) in the case of non- fulfilment / incomplete fulfilment of the requirement to increase the margin collateral by 9.30 ALT of the clearing day following the day on which these requirements emerged (this sub-item was changed by the decisions of the Exchange's Board of Directors of December 12, 2018 and January 29, 2019);
  - 3) in the case of non- fulfilment / incomplete fulfilment of the obligation to make a guarantee contribution in accordance with item 3 of Article 28 of these Rules by 9.30 ALT of the clearing day following the day on which they must be executed.
2. If the Management Board of the Exchange decides to declare the clearing member insolvent, the Exchange shall carry out default settlement procedures in accordance with Article 21 of these Rules.

**Chapter 6. FEATURES OF DERIVATIVES MARKET**

**Article 43. Features of Derivatives Market**

1. The Exchange performs functions of the Central Counterparty in respect of derivative financial instruments traded at the futures section.
2. The Exchange conducts integrated clearing on the transactions with equity futures and currency futures.
3. A clearing member of the derivatives market opens one own and unlimited number of segregated / aggregated client clearing accounts.
4. The information on transactions made in the derivatives market is checked by clearing members of the derivatives market no later than 16.30 ALT of the day when clearing reports were received in accordance with Article 6 of these Rules.



5. The Exchange has the right to use margin contributions in its own collateral accounts and/or guarantee contributions of an unscrupulous or insolvent clearing member of the derivatives market to pay any debt (including forfeiture/penalties) of this clearing member to the Exchange.

**Article 44. Risk Management System of the Derivatives Market**

1. The risk management system in the derivatives market consists of the following element:
  - 1) risk parameters of the derivatives market determined in accordance with the Methodology:
    - settlement price of a derivative financial instrument
    - the rates of the price change limits for derivative financial instruments;
    - initial margin rates for derivative financial instruments;
    - initial margin rates for oppositely directed positions on a pair of derivative financial instruments;
  - 2) margin collateral for clearing members in the derivatives market with partial collateral, consisting of several types of margin contributions calculated in accordance with Articles 47, 48, 49 of these Rules (this sub-item was changed by a decision of the Exchange Board of Directors dated December 12, 2018);
  - 3) control of the sufficiency of margin contributions on own/client collateral accounts of a clearing member of the derivatives market with partial security using an automated module built into the trading system at the time of submission of transaction orders;
  - 4) open position limits of clearing members;
  - 5) clearing guarantee fund of the derivatives market;
  - 5-1) control of the adequacy of guarantee contributions of clearing members of the derivatives market to the clearing guarantee fund of the derivatives market on a daily basis (*this sub-item is included by the decision of the Board of Directors of the Exchange of December 12, 2018*);
  - 6) clearing guarantee fund of the derivatives market;
  - 7) default settlement procedures;
  - 8) limitation of the Exchange's liability as a Central Counterparty for the fulfilment of net obligations on the transactions with partial collateral to clearing members of the derivatives market in accordance with Article 24 of these Rules (this sub-item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
2. The procedure for establishing / changing price limits for derivative financial instruments is carried out in accordance with the Exchange's internal document "The Procedure for Changing Ranges for Price Change Limits of Financial Instruments, Transactions in Which are Cleared by the Exchange".
3. Open position limit is calculated by the clearing unit for each clearing member in the derivatives market, depending on the current financial position of the member and approved by the Committee (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
4. The calculation of the open position limit specified in item 3 of this article is carried out quarterly according to the following formula (this item was changed by the decisions of the Board of Directors of the Exchange of December 12, 2018 and January 29, 2019):

$LO = E \times S$ , where:

- LO – open position limit of a clearing member;
- E – the size of the own capital of a clearing member at the end of the last reporting period;
- S – the rate established depending on the rating of this clearing member in accordance with Appendix 1 to these Rules and expressed as a percentage.

**Article 45. Settlements in the Derivatives Market**

1. The Exchange is a settlement organization for transactions in the derivatives market.
2. Bank accounts of clearing participants opened in the second-tier banks of the Republic of Kazakhstan, and the Exchange's correspondent account with the National Bank are used for settlements on transactions in the derivatives market.
3. The margin contributions of a clearing member of the derivatives market shall be written off and deposited in accordance with the Exchange's internal document "Settlement Rules for Trades in the Derivatives Market".
4. In order to correctly record margin contributions received from a clearing member, the clearing member must indicate in the payment order field "purpose of payment" - "margin contribution of the derivatives market".
5. The Exchange writes off margin contributions based on the instruction of a clearing member made in accordance with the Exchange's internal document "Settlement Rules for Trades in the Derivatives Market".

The instruction of the clearing member indicated in the first paragraph of this clause is provided to the Exchange from 16.00 to 18.00 ALT of the clearing day.

Money is transferred to the clearing member until 09.45 ALT on the working day following the day of receipt of the instruction for such a transfer.

If the clearing member has open positions in the derivatives market, the amount indicated in the instruction should not exceed the amount of excess of current margin contributions over the amount of initial margin (this item was changed by a decision of the Exchange Board of Directors dated December 12, 2018).

The requirement specified in paragraph four of this item does not apply to the clearing member who does not have an open position on derivative financial instruments and outstanding obligations.

6. Every day during the clearing session, the Exchange re-evaluates open positions on clearing accounts (own and client) of a clearing member and determines the total net claims or net obligations.
7. Net obligations and net claims of clearing members are fulfilled in accordance with the Exchange's internal document "Settlement Rules for Trades in the Derivatives Market".

**Article 46. Margin Collateral in the Derivatives Market**

1. The margin collateral of a clearing member of the derivatives market for the clearing account (own or client) of the clearing member is the cost of the margin contribution, and the margin requirements are the obligations to credit the margin contribution in the amounts established by these Rules (this item was changed by the Exchange Board of Directors decision of September 24, 2019).

2. The margin contribution is measured in the national currency and consists of the following elements:
  - 1) initial margin;
  - 2) variation margin;
  - 3) maintenance margin.
3. The financial instrument accepted as a margin contribution of a clearing member of the derivatives market is the tenge.
4. The amounts of the initial, variation and maintenance margins for each clearing member of the derivatives market are determined by the Exchange during its clearing session according to the procedure specified in articles 47–49 of these Rules.
5. To account for the margin contributions received from a clearing member of the derivatives market, the Exchange opens and maintains the following accounts:
  - 1) own collateral account where clearing member's own margin contributions are recorded.

Own margin contributions of a clearing member of a derivatives market with partial collateral mean the amount of money of the clearing member held on its own collateral accounts and intended to ensure fulfilment of obligations of this clearing member on the net positions of its own clearing account;
  - 2) client margin account where the segregated (aggregated) amount of client margin contributions of a clearing member is recorded.

Client margin contributions mean the amount of money of a clearing member held on client collateral accounts and intended to ensure fulfilment of obligations of this clearing member on net positions of client clearing accounts.

**Article 47. . Initial Margin**

1. The size of the initial margin for a net position is defined as the product of that position on the initial margin rate of a derivative financial instrument or the initial margin rate for oppositely directed positions in a group of derivative financial instruments.
2. Groups of derivative financial instruments are established by the Committee. The group of derivative financial instruments includes several highly correlated derivatives of financial instruments with one underlying asset, the opening of oppositely directed positions of the same volume (in the number of derivative financial instruments) with which reduces the market risk of the total value of these positions.
3. The initial margin on the clearing account (own or client) of the clearing member is the sum of the following values:
  - 1) for isolated positions (for each derivative financial instrument) – the product of the initial margin rate of a financial instrument and net position on this derivative financial instrument.

In this case, the position of a derivative financial instrument not included in the group of derivative financial instruments or the position of a derivative financial instrument included in the group of derivative financial instruments for which there is no opposite position with another derivative financial instrument included in the group of derivative financial instruments is considered to be isolated;
  - 2) for oppositely directed positions of the same volume with a group of derivative financial instruments – the product of the initial margin rate for the

group of derivative financial instruments, the sum of settlement prices of derivative financial instruments included in this group of derivative financial instruments,  
and the volume of one of the oppositely directed positions.

**Article 48. Variation Margin**

1. To determine the net positions on the clearing account (own or client) of a clearing member of the derivatives market, the Exchange uses a variation margin.
2. The variation margin for a clearing account (own or client) of a clearing member of the derivatives market is calculated during the Exchange's clearing session and is made up of the variation margin for net positions for each financial instrument.
3. When calculating the variation margin, formulas are used:
  - 1) when calculating the variation margin for a long position (for a buyer of a derivative financial instrument) –

$$VM = (P - P_p) \times N \times (S_{\text{tick}} \div \text{tick}), \text{ where:}$$

- VM – variation margin;
  - $P_p$  – current price of a position open on a derivative financial instrument;
  - P – The settlement price of a derivative financial instrument resulting from exchange trading on the current day;
  - N – the volume of the position opened on a derivative financial instrument;
  - $S_{\text{tick}}$  – a valuation of the minimum price change of a derivative financial instrument as defined in the specification of this derivative financial instrument;
  - tick – the minimum price change of a derivative financial instrument as defined in the specification of this derivative financial instrument
- 2) when calculating the variation margin for a short position (for a seller of a financial instrument) –

$$VM = (P_p - P) \times N \times (S_{\text{tick}} \div \text{tick}).$$

The designations are defined in sub-item 1) of this item.

4. The value of the current price of a position in a financial instrument is:
  - 1) for a position open during the current day – the price of a transaction with this financial instrument;
  - 2) for a position opened earlier than the current day – the settlement price set at the end of the previous clearing day.
5. Variation margin with a negative value reduces net claim for the margin contribution, variation margin with a positive value increases the net claim for margin contribution.

**Article 49. Maintenance Margin**

1. The purpose of applying maintenance margin is to maintain a level of adequacy of margin contributions.

2. The maintenance margin is set at 80% of the clearing member's obligation on the initial margin.
3. Maintenance margin is a margin contribution obligation that must be on the collateral account (own or client) of the clearing member of the derivatives market on the Exchange.

If the amount of money in the collateral account (own or client) of a clearing member becomes less than the size of the maintenance margin, the clearing member has an obligation to increase level of the margin contribution to the level of the obligation on the initial margin, which it must fulfill no later than 9.30 ALT of the clearing day following the day of the appearance of such a requirement.

**Article 50. Recognition of a Clearing Member Unscrupulous in the Derivatives Market**

1. The clearing unit shall recognize as unfair the clearing member in the derivatives market if it defaults on any of the following cases:
  - 1) the obligation on the variation margin has not been fulfilled up to 17.15 ALT on the settlement day (default on net obligations);
  - 2) the obligation to increase the margin contribution on the maintenance margin has not been fulfilled by the time specified in item 3 of Article 49 of these Rules (hereinafter referred to as default on margin);
  - 3) the requirement to restore the guarantee contribution within the period established by item 3 of Article 28 of these Rules (default on the guarantee contribution) has not been fulfilled by a clearing member of the foreign exchange market with partial collateral.
2. When a clearing member of the derivatives market is declared as unscrupulous, the Exchange shall carry out general actions specified in Article 19 of these Rules as well as the actions established by this article.
3. If a clearing member is declared unscrupulous in the event of a default on net obligations, the clearing member shall have the right, on the basis of a request, to replace the client clearing account with its own clearing account or another client clearing account.

If such a replacement of an account involves the extension / conduct of a repeated clearing session, the clearing member who has submitted a request to replace the account is also obliged to submit an application for the extension / conduct of an additional clearing session in accordance with Appendix 2 to these Rules. When extending / conducting an additional clearing session, the Exchange shall charge a penalty in the manner and amount determined by the Exchange's internal document "Regulation on Membership Fees, Exchange Fees and Clearing Fees".

4. In the event that within 30 minutes after the receipt by the clearing member of the Exchange of notification of the fact that such member was declared unscrupulous, the clearing member did not exercise the rights specified in item 3 of this article and did not inform the Exchange about another opportunity to fulfill its obligations on the current business day, the Exchange has the right, in accordance with the decision of the member of the Exchange's Management Board supervising the clearing unit, to replace the client clearing account that defaulted to own clearing account of the clearing member and to carry out settlements in the case of the adequacy of financial instruments on the clearing member's own clearing account (this item was changed by the Exchange's Board of Directors on December 12, 2018).
5. If a clearing member of the derivatives market is declared as unscrupulous in the event of a default on net obligations, the Exchange shall conduct position rollover procedure in accordance with Article 51 of these Rules in order to rollover the outstanding obligation of the Exchange to bona fide clearing

participants, which arose due to the default on a similar net obligation of the unscrupulous clearing member to the Exchange on the next settlement day (this item was changed by a decision of the Exchange's Board of Directors dated December 12, 2018).

6. The rollover procedure can be carried out no more than two settlement days in a row (this item was changed by the decision of the Board of Directors of the Exchange of December 12, 2018).
7. The clearing unit, no later than 10.00 ALT on the day following the day of default on net obligations, submits for consideration by the Exchange's Management Board the issue of removing the clearing member, who is a member of the Exchange from trading in all or particular financial instruments in accordance with the Exchange's internal regulatory document "Regulations on Membership" and / or the issue of declaring an unscrupulous clearing member insolvent (this item was changed by a decision of the Exchange's Board of Directors dated December 12, 2018).
8. The condition of item 6 of this article does not apply if the Exchange's Management Board has decided to extend the deadline for settlement days during which a clearing member of the derivatives market may have defaulted on net obligations if the bona fide clearing members agree to postpone the execution of their claims for such obligations.
9. If an unscrupulous clearing member has not fulfilled the obligation to increase margin collateral in accordance with sub-item 2) of item 1 of this article, the clearing unit shall submit to the Management Board the issue of removal of the clearing member, who is a member of the Exchange, by 10:00 ALT from participation in trading with all or particular financial instruments in accordance with the Exchange's internal document "Regulations on Membership" and/or the issue of suspension of clearing services and/or the issue of declaring an unscrupulous clearing member insolvent.
10. If an unscrupulous clearing member has not fulfilled the obligation to replenish the guarantee contribution in accordance with sub-item 3) of item 1 of this article, the clearing unit shall submit to the Exchange's Management Board for consideration the issue of suspension of the clearing member, who is a member of the Exchange, from participation in trading with all or particular financial instruments before 10.00 ALT the day following the day of default on the guarantee contribution in accordance with the Exchange's internal document "Regulations on Membership" and/or the issue of suspension of clearing services and/or the issue of recognition of an unscrupulous clearing member insolvent (this item was changed by the Exchange Board of Directors on December 12, 2018).

**Article 51. The Procedure for Position Rollover in the Derivatives Market**

1. If a clearing member of the derivatives market is declared unscrupulous in the event of a default, the Exchange takes the following actions:
  - 1) before 17.30 ALT of the day of default on the net obligations of the unscrupulous clearing member, the Exchange shall notify the bona fide clearing members of the occurrence of the default on the net obligations and requests consent to transfer settlements on the outstanding amount of the net claim on the variation margin to the next settlement day if there is a similar request to transfer settlements from the unscrupulous clearing member;
  - 2) in the case of consent of the bona fide clearing members referred to in sub-item 1) of this item, the Exchange shall carry out the separation procedure, the settlement procedure and transfer the settlements on the remaining outstanding net claims to the bona fide clearing members on the variation margin to the next settlement day (this sub-item was changed by decision Exchange Board of Directors dated December 12, 2018);

- 3) in the case of disagreement of the bona fide clearing members referred to in sub-item 2) of this item, or in the absence of a request to transfer settlements from an unscrupulous clearing member, the Exchange shall carry out the separation procedure, the settlement procedure based on the separation results and transfer the settlements for the remaining outstanding net claims to bona fide clearing members to the next day of settlements. The clearing unit submits to the Exchange's Management Board the issue of declaring an unscrupulous clearing member of the derivatives market insolvent no later than 10.00 ALT of the clearing day following the day of default on net obligations (this sub-item was changed by a decision of the Exchange Board of Directors dated December 12, 2018).
2. The Exchange charges binding forfeit penalty to the unscrupulous clearing member in accordance with sub-item 1) of item 5 of Article 29 of these Rules.
3. The Exchange shall pay the forfeit penalty to the bona fide clearing members for failure to fulfill their counter obligations in accordance with item 7 of Article 29 of these Rules only when an unscrupulous clearing member fulfills obligations to pay the penalty to the Exchange or at the expense of the guarantee contribution in accordance with the default settlement procedures (this item was changed by the decision of the Exchange Board of Directors dated December 12, 2018).

**Article 52. Recognition of a Clearing Member Insolvent in the Derivatives Market**

1. The clearing unit submits to the Exchange's Management Board for consideration the issue of declaring an unscrupulous clearing member of the derivatives market insolvent on the basis of sub-item 1) of item 1 of Article 20 no later than 10.00 ALT on the working day on which any of the following cases occurred:
  - 1) in the event of a default on net obligations of an unscrupulous clearing member within two previous consecutive business days or in accordance with sub-item) of item 1 of Article 51 of these Rules;
  - 2) In the event of non-fulfilment/incomplete fulfilment of the requirement for margin collateral by 9.30 ALT of the second clearing day following the day in which these requirements have arisen;
  - 3) In the event of non-fulfilment/incomplete fulfilment of the requirement to replenish guarantee contribution by 9.30 ALT of the clearing day following the day on which they must be executed;
2. If the Exchange Board decides to declare the clearing member insolvent, the Exchange shall carry out default settlement procedures in accordance with Article 21 of these Rules.

**Chapter 7. FINAL PROVISIONS**

**Article 53. Liability of the Exchange**

1. The Exchange, assuming the functions of a central counterparty, guarantees the fulfilment of obligations on concluded transactions to each bona fide clearing member regardless of the fulfilment by other clearing members of their obligations to the Exchange taking into account the restrictions established by Article 24 of these Rules and items 2-5 of this article.
  - 1-1. The Exchange shall not be liable for the execution of transactions in which it acted as the central counterparty and which were cancelled by the Exchange in the manner established by the Exchange's internal documents due to technical

failures of the ASTS + trading and clearing system that occurred during the first three working days of the Exchange's launch of the ASTS + trading and clearing system (this item was included by the decision of the Exchange's Board of Directors dated September 24, 2019).

2. The Exchange, as a clearing organization that does not perform the functions of a central counterparty, shall not be liable for non-execution of transactions without CCP, as well as for damages or losses incurred as a result of the default on transactions without CCP of any clearing member (this item was changed by the decision of the Exchange's Board of Directors dated September 24, 2019).
3. *(This item was excluded by the decision of the Exchange's Board of Directors of September 24, 2019)*
4. The Exchange shall not be liable for any damages or losses that have occurred outside its accepted control framework, as well as the result of the following cases or events:
  - 1) a failure occurs due to force majeure circumstances (force majeure situations) or other events that are outside the Exchange's responsibility area;
  - 2) unfair performance by the clearing member of its obligations in accordance with the clearing service agreement and these Rules;
  - 3) technical problems, partial or complete operational instability of software and hardware complexes, errors of input-output procedures during the implementation of trading, clearing and settlement procedures, errors of disposal, management of the collateral provided for transactions with financial instruments.

The norms specified in the first paragraph of this sub-item shall not apply if the resulting damages or losses are the result of intentional actions or unacceptable indiscretions of the Exchange or if they are a direct violation of the provisions of the Exchange's internal documents;

- 4) exercise by the Exchange on behalf of a clearing member of the position rollover procedures and default settlement procedures in accordance with these Rules;
- 5) the implementation by the Exchange of recognition of transactions as null and void in accordance with Article 20 of these Rules.

*(This item was changed by the decision of the Exchange's Board of Directors of September 24, 2019)*

5. Claims from clearing members, including insolvent clearing members, regarding damages or losses specified in item 4 of this article are not accepted by the Exchange.

**Article 54. Procedure for reporting to clearing members and the National Bank**

1. Based on the results of the clearing sessions, the Exchange sends clearing reports to clearing members through the electronic document exchange system eTransfer.kz.
2. The clearing report on the results of the clearing session, provided to the clearing members contains the following information (this item was changed by the Exchange Board of Directors decision of December 12, 2018):
  - 1) on concluded transactions for which net positions are determined;
  - 2) on net claims and net obligations for each clearing (trading and clearing) account (this sub-item was changed by a decision of the Exchange Board of Directors dated September 24, 2019).



3. The clearing report on the results of the clearing session, provided to the clearing member with partial collateral, contains additional information for each clearing (trading and clearing) account (this item was changed by a decision of the Exchange Board of Directors dated December 12, 2018 and September 24, 2019):
  - 1) on the current size of margin contributions or current value of margin collateral;
  - 2) on requirements for the amount of collateral;
  - 3) on the amount of margin collateral or margin contribution to be added;
  - 4) on the minimum amount of the guarantee contribution required to the clearing guarantee fund;
  - 5) on the current amount of the guarantee contribution;
  - 6) other information provided in accordance with the Rules as part of default settlement procedures.
4. The Exchange provides the following to the National Bank:
  - 1) on a daily basis – a summary report on net claims and net obligations of clearing members;
  - 2) on a monthly basis:
    - report on clearing members of the Exchange;
    - report on financial instruments accepted by the Exchange for clearing services;
    - report on clearing participants who unfairly fulfill their obligations on transactions.
5. The conditions and procedure for the submission, as well as the forms of reports referred to in items 1–4 of this article are determined by these Rules, the Regulations, as well as regulatory legal acts of the Republic of Kazakhstan.

**Article 55. The Procedure for Collection, Processing and Storage of Information**

1. Every day, in accordance with the Regulations, during the clearing session, the clearing system receives information from the trading system on transactions concluded with financial instruments.
2. All information on concluded transactions received from the trading system is subject to storage in the clearing system and daily backup.

Backup copies of the information specified in the first paragraph of this item are protected against unauthorized access and are stored in the reserve technical center of the Exchange until they are replaced with updated backup copies.

**Article 56. The Procedure for Administering Information Received during Clearing Activities**

1. The information received during clearing activities by the Exchange on transactions with financial instruments is considered as insider information.
2. The procedure for monitoring the use of insider information is determined by the Exchange's internal document "Rules for the Internal Use of Insider Information".

**Article 57. Clearing fees**

1. The Exchange charges clearing fee for clearing transactions with financial instruments.

2. The rates of clearing fees, as well as the procedure and terms for their payment by clearing members are established by the Exchange's internal document "Regulation on Membership Fees, Exchange Fees and Clearing Fees".

**Article 58. Final Provisions**

1. The clearing unit shall be responsible for the timely introduction of amendments and changes to these Rules -
2. These Rules should be updated as required but at least once every three years.

Chairman of the Management Board

Alina Aldambergen

**Appendix 1**

to the Clearing Rules for  
Transactions with Financial  
Instruments

**VALUES OF RATES**  
**of open position limits**

<b>Item No.</b>	<b>Rating</b>	<b>Rate</b>
1.	Does not meet the minimum rating level	0%
2.	D	5.
3.	C	10 %
4.	B	15 %
5.	A	20 %

**Appendix 2**

to the Clearing Rules for Transactions with Financial Instruments

*(This appendix was changed by the decision of the Board of Directors of the Exchange of September 24, 2019)*

(on letterhead indicating outgoing number and date of application)

Kazakhstan  
Stock Exchange JSC

**APPLICATION**

**for the appointment of an authorized trading participant in relation to the clearing account of a clearing member**

The **[full name of a clearing member]** (hereinafter referred to as the clearing member) requests the Kazakhstan Stock Exchange JSC to designate the Authorized Trading Participant **[full name of the stock market trading participant]** with respect to the clearing client custodial account No. \_\_\_\_\_ of the clearing member (hereinafter referred to as the clearing account) and attach it to the trading and clearing account of the 2nd level of the Authorized Trading Participant No. \_\_\_\_\_ (hereinafter TCA of the 2nd level), opened for transactions in the interests of the client of the clearing member using a clearing account to secure and fulfill the requirements and obligations on transactions concluded with TCA of the 2nd level.

Clearing member

(full name of organization)

Valid from [date]

In addition to the previously submitted

Instead of previously submitted

Authorized trading participant	Clearing Account Number of a Clearing Member

## Clearing Rules for Transactions with Financial Instruments

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[Position of the CEO]

[signature]

[surname, initials]

[Position of the Chief Accountant]

[signature]

[surname, initials]

**Appendix 3**

to the Clearing Rules for  
Transactions with Financial  
Instruments

*(This appendix was changed by the decision of the Board of Directors of the Exchange  
от 12 декабря 2018 года)*

**APPLICATION**  
**on the return of the guarantee contribution**

Kazakhstan Stock Exchange JSC

(name of a clearing member)	Application date
	Application submission time

The aforementioned clearing member hereby requests the Exchange to refund the guarantee contribution previously credited to the clearing guarantee fund for the following details:

Guarantee contribution to the clearing guarantee fund <small>(Mark necessary option with sign)</small>	Amount of returned currency <small>(in numbers and words)</small>	Bank details
<input type="checkbox"/> derivatives market		
<input type="checkbox"/> stock market		
<input type="checkbox"/> foreign exchange market		

[Position of the CEO]

[signature]

[surname, initials]

[Position of the Chief Accountant]

[signature]

[surname, initials]

**Appendix 4**

to the Clearing Rules for  
Transactions with Financial  
Instruments

*(This appendix is included by the decision of the Board of Directors of the Exchange  
of September 24, 2019)*

**APPLICATION**  
**to assign the attribute of a voluntary provider in the stock market**

We hereby request the Kazakhstan Stock Exchange JSC (hereinafter referred to as the Exchange) to assign to a clearing member **[full name of the clearing member in accordance with the certificate (other document) of its state registration (last state re-registration)]** (hereinafter referred to as the Clearing Member) the attribute of a voluntary provider in relation to trading and clearing accounts from the list below for concluding position rollover transactions using them in accordance with the Exchange's internal document "Clearing Rules for Transactions with Financial instruments" when the Exchange performs the functions of a central counterparty in the stock market – one-day repo transactions with the direction Sell / Buy at the default rate of settlement SD set in accordance with the Exchange internal documents "Methodology for Determining Risk Parameters of Financial Instruments" .

We hereby state:

- that we have read and understood the terms and conditions of conclusion of rollover transactions for settling defaults of the unscrupulous clearing members of the stock market conducted by the Exchange in accordance with the Exchange's internal documents "Clearing Rules for Transactions with Financial Instruments", "Methodology for Determining Risk Parameters of Financial Instruments" and other internal Exchange documents related to its clearing activities and the performance of the functions of a central counterparty;
- that we unconditionally agree with all conditions and requirements established by the above and other internal documents of the Exchange relating to clearing activities and the performance of the functions of a central counterparty;
- the availability of documented instructions from clients received in relation to the following client trading and clearing accounts

**List of trading and clearing accounts for using them to conclude position rollover transactions  
[fill in the table]**

No.	Number of the trading and clearing account of the clearing member
1.	
2.	
3.	
...	

[Position of the CEO]

[signature]

[surname, initials]