

KAZAKHSTAN STOCK EXCHANGE

A p p r o v e d

by Kazakhstan Stock Exchange
Management Board decision

(the meeting minutes No. 144
of December 29, 2015)

E f f e c t i v e

as of January 1, 2016

N O T I C E

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

REGULATIONS

on the operation of the clearing system

LIST OF AMENDMENTS

1. Additions and changes No. 1:

- approved a by a decision of the Management Board of Kazakhstan Stock Exchange (KASE) (minutes No. 130 of meeting on December 28, 2016);
- effective as of January 1, 2017.

These Regulations define the procedure of operation of the clearing system when Kazakhstan Stock Exchange JSC (hereinafter – the Exchange) implements clearing activities related to deals in financial instruments.

Chapter 1. GENERAL PROVISIONS

1. The concepts, used in these Regulations, are identical to the concepts, defined by the Rules of executing clearing activities on deals in financial instruments¹ (hereinafter – the Clearing Rules) and other internal documents of the Exchange (*this item was supplemented by a decision of the Exchange's Management Board of December 28, 2016*).
2. Daily based on trading sessions' results the Exchange holds clearing sessions on deals in financial instruments to determine net obligations and/or net claims of each clearing participant.
3. The Exchange holds clearing sessions on all concluded deals in financial instruments specified in Appendix 1 to the Clearing Rules (*this item was changed by a decision of the Exchange's Management Board of December 28, 2016*).
4. The clearing system operation, during which all necessary clearing system procedures are implemented, starts at 09:00 a.m. (Astana time) and ends by 07:00 p.m. (Astana time) (*this item was changed by a decision of the Exchange's Management Board of December 28, 2016*).
5. The Exchange holds clearing sessions on:
 - 1) deals in the derivatives market – from 03:30 p.m. to 04:00 p.m. (Astana time);
 - 2) deals on the currency market:
 - the morning clearing session – from 11:00 a.m. to 11:30 a.m. (Astana time);
 - the day clearing session – from 03:30 p.m. to 04:00 p.m. (Astana time);
 - the evening clearing session – from 05:00 p.m. to 05:30 p.m. (Astana time).
 - 3) deals on the stock market – from 05:30 p.m. to 07:00 p.m. (Astana time) (*this sub-item was changed by a decision of the Exchange's Management Board of December 28, 2016*).
6. The time of clearing sessions can be changed by the Chairman of the Exchange's Management Board or a deputy Chairman of the Exchange's Management Board, supervising the clearing activities on the Exchange, in case of failure of software and hardware, used for executing clearing sessions, detection of circumstances, impeding the holding of clearing sessions in the usual mode, or other circumstances (*this item was changed by a decision of the Exchange's Management Board of December 28, 2016*).

Chapter 2. PROCEDURES OF CLEARING SYSTEM DURING TRADING DAY

7. Daily, before 09:15 a.m. (Astana time) the Exchange's clearing unit receives from the Exchange's unit, carrying out the calculation of stock market indices, by way of electronic message exchange means, data on settlement prices of shares quoted in the list of the stock market's financial instruments deals in which are cleared by the Exchange, which are determined according to the Securities valuation methodology² (*this item was changed by a decision of the Exchange's Management Board of December 28, 2016*).
8. Daily, before 10:00 a.m. (Astana time) the clearing system transfers to the Exchange's trading system information on:

¹ Approved by a decision of the Exchange's Board of Directors (minutes No. 7 of the meeting on April 8, 2015).

² Approved by a decision of the Exchange's Board of Directors (minutes No. 7 of the meeting on March 31, 2011).

- 1) risk-parameters of financial instruments (rates of initial margin and limits of price changes, as well as for derivatives – rates of initial margin on the group of derivatives), calculated in accordance with the Methodology of calculation of risk-parameters of financial instruments³ *(this sub-item was changed by a decision of the Exchange's Management Board of December 28, 2016)*;
 - 2) settlement prices of shares, mentioned in item 7 hereof;
 - 3) settlement prices of derivatives, set according to the Clearing Rules *(this sub-item was changed by a decision of the Exchange's Management Board of December 28, 2016)*;
 - 4) positions and/or money on accounts (own or client) of the clearing participants by category "clearing participant of the derivatives market" and their clients *(this sub-item was changed by a decision of the Exchange's Management Board of December 28, 2016)*;
 - 5) positions of clearing participants by category "clearing participant of the derivatives market" (if available);
 - 6) unfulfilled liabilities on margin contributions of clearing participants by category "clearing participant of the derivatives market" (if available).
9. Information specified in item 8 of these Regulations shall be provided according to the forms, defined in the Exchange's internal document on clearing system messages formats⁴ *(this item was changed by a decision of the Exchange's Management Board of December 28, 2016)*.
10. During a trading day in case of an increase in the balance on the margin account of a clearing participant by category "clearing participant of the derivatives market", the clearing system automatically transfers to the trading system the information about the new balance on the margin account of that clearing participant according to the form, specified in the Exchange's internal document on formats of the clearing system's messages.

Chapter 3. PROCEDURES OF CLEARING SYSTEM BY TRADING SESSIONS RESULTS

11. Daily upon the end of each trading session the information on all deals concluded and orders submitted for conclusion of deals in financial instruments is automatically exported from the trading system to the clearing system *(this item was changed by a decision of the Exchange's Management Board of December 28, 2016)*.
12. In case of a change in rates of the price change limit, as well as rates of initial margin during the trading system, the trading system upon the end of a trading session shall automatically transfer to the clearing system information on the new rates *(this item was changed by a decision of the Exchange's Management Board of December 28, 2016)*.
13. During the clearing session on deals on the derivatives market, the clearing system implements the following procedures:
 - 1) defining the settlement price on each derivative financial instrument according to the Clearing Rules;
 - 2) defining net claims and/or net obligations of clearing participants using the multilateral netting;
 - 3) defining clearing participants' obligations on margin fees, guaranty fees and clearing fees;
 - 4) defining clearing participants' obligations on supplementing the margin and/or guaranty fees in case of insufficiency of those fees, in accordance with the Clearing Rules;

³ Approved by a decision of the Exchange's Management Board (minutes No. 144 of the meeting on December 29, 2015) *(this footnote was included by a decision of the Exchange's Management Board of December 28, 2016)*.

⁴ Approved by a decision of the Exchange's Management Board (minutes No. 96 of the meeting on May 31, 2012) *(this footnote was included by a decision of the Exchange's Management Board of December 28, 2016)*.

- 5) generation and submission of reports on results of clearing activities to clearing participants, the Exchange's settlement unit and the authorized body according to the procedure specified in the Clearing Rules;
- 6) defining of the minimum balance on clearing participants' accounts (own accounts or clients' accounts);
- 7) performing other procedures stipulated in the Clearing Rules.

(This item was changed by a decision of the Exchange's Management Board of December 28, 2016).

14. During clearing sessions on deals in the currency market the clearing system performs the following procedures:

- 1) defining net claims and/or net obligations of clearing participants using the multilateral netting;
- 2) defining clearing participants' obligations on clearing fees;
- 3) defining clearing participants' obligations on supplementing the guaranty fees in case of insufficiency of those fees, in accordance with the Clearing Rules;
- 4) generation and submission of reports on results of clearing activities to clearing participants, the Exchange's settlement unit and the authorized body in compliance with the Clearing Rules;
- 5) performing other procedures provided for in the Clearing Rules.

(This item was changed by a decision of the Exchange's Management Board of December 28, 2016).

15. During a clearing session on deals on the stock market, the clearing system performs the following procedures:

- 1) defining net claims and/or net obligations of clearing participants using the multilateral netting;
- 2) defining clearing participants' obligations on margin collateral (whose sufficiency is measured by the single limit in accordance with the Clearing Rules), guaranty fees and clearing fees;
- 3) defining clearing participants' obligations on supplementing the margin collateral and/or guaranty fees of clearing participants in case of insufficiency of those collateral and/or fees, in accordance with the Clearing Rules
- 4) generation and submission of reports on results of clearing activities to clearing participants, the settlement institution and the authorized body in compliance with the Clearing Rules;
- 5) performing other procedures provided for in the Clearing Rules.

(This item was changed by a decision of the Exchange's Management Board of December 28, 2016).

16. Information indicated in these Regulations is stored in the clearing system and is subject to daily back-up copying before 7:00 p.m. (Astana time) *(this item was changed by a decision of the Exchange's Management Board of December 28, 2016).*

17. Back-up copies are provided with protection against illegal access to the information and are stored in the back-up technical center of the Exchange until replaced with updated back-up copies.