

# 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  
of September 7, 2018)

## **Effective**

as of October 1, 2018

### **NOTICE**

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

# **RULES**

## **of execution of the settlement of trades on the derivatives market**

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Almaty

2018

## **LIST OF AMENDMENTS**

**1. Addition No. 1:**

- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 37 dated December 12, 2018);
- effective as of December 13, 2018.

**2. Change 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 January 30, 2019.

These Rules have been developed in accordance with laws of the Republic of Kazakhstan and the charter of Kazakhstan Stock Exchange JSC (hereinafter – the Exchange) and define the terms and conditions and the procedure of executing the settlement of trading in derivative financial instruments on the derivatives market, conducted in the trading system of the Exchange.

**Article 1. Main definitions and designations**

1. These Rules use definitions and terms defined in the Rules of execution of clearing activities on deals in financial instruments (hereinafter – the Clearing Rules), as well as by laws of the Republic of Kazakhstan.
2. For purposes of these Rules:
  - 1) a bank account means a bank account of a clearing participant in the Kazakh tenges, which is used for crediting of money transferred by the Exchange in payment of net claims of that clearing participant;
  - 2) the guarantee contribution means a contribution of a clearing participant to the guarantee fund of the derivatives market;
  - 3) security means funds denominated in the Kazakh tenges credited by a clearing participant to the Exchange's correspondent account, except for guarantee contributions;
  - 4) settlements mean the execution of payments in the Kazakh tenges:
    - by clearing participants in favor of the Exchange in pursuance of their net obligations towards the Exchange;
    - by the Exchange in favor of clearing participants in pursuance of their net claims to the Exchange;
    - by clearing participants of the category "with partial security" in favor of the Exchange in pursuance of their obligations on requirements for the margin security;
    - by the Exchange in favor of clearing participants when returning money earlier credited by those clearing participants to the Exchange's correspondent account as margin security;
    - by the Exchange in favor of clearing participants when returning money earlier credited to the Exchange's correspondent account, with regard to which clearing participants earlier submitted requests to the Exchange for keeping that money in the Exchange's correspondent account;
  - 5) deals mean deals in derivative financial instruments of the derivatives market concluded in the Exchange's trading system.
3. Other definitions and terms used in these Rules are identical to definitions and terms defined in the legislation of the Republic of Kazakhstan and other internal documents of the Exchange.

**Article 2. General provisions on settlements**

1. The reason for carrying out settlements of trading on the derivatives market for a clearing participant is as follows:
  - clearing reports generated and presented to clearing participants in accordance with the Clearing Rules;
  - at the crediting of money by clearing participants to the Exchange's correspondent accounts as security for proposed deals – documents defined by clearing participants on their own.
2. The reason for the Exchange's settlement unit to carry out settlements of trading on the derivatives market for the Exchange is as follows:

clearing reports generated and presented to the settlement unit in accordance with the Clearing Rules;

applications of clearing participants drawn up in accordance with the form of appendix 5 to these Rules, and signed by the trader of the clearing participant, for return of the margin security, or money earlier credited for submission of applications into the Exchange's trading system or as mistaken transfer, as well as money with regard to which clearing participants earlier submitted requests to the Exchange for keeping that money in the Exchange's correspondent accounts.

3. The Exchange carries out settlements in the mode "payment against payment", which means that the execution by the Exchange of the net claim of a clearing participant is only possibly after that clearing participant fulfills its mutual obligation towards the Exchange defined in accordance with the Clearing Rules (if available).
4. When carrying out settlements, a clearing participant must ensure the crediting of the Kazakh tenges to the Exchange's correspondent account.  

For confirmation of the crediting of clearing participants' money to the correspondent account, the Exchange follows exclusively documents of its correspondent bank. Documents provided by clearing participants as such confirmation are not accepted nor considered by the Exchange.
5. For purposes of separate internal accounting of money arriving to the Exchange's correspondent account from clearing participants as payment of net obligations, contribution of security, fulfillment of requirements for margin security or contribution of guarantee fees, clearing participants must specify special codes for type of payment in payment documents. The list of such codes is defined in appendix 1 to these Rules.
6. Settlements of trading on the derivatives market are carried out according to Astana time. Time values in these Rules are indicated according to Astana time.

### **Article 3. Correspondent account of the Exchange**

1. The Exchange uses a correspondent account in the Kazakh tenges in the National Bank for carrying out of settlements of trading on the derivatives market, as well as for keeping guarantee fees and margin security of clearing participants.  

Details of the Exchange's correspondent account are released on the Exchange's website ([www.kase.kz](http://www.kase.kz)).
2. In case of a change in details of its correspondent account the Exchange shall notify thereof clearing participants by sending to them individual messages by e-mail and releasing on the Exchange's website of respective information statements and changed details of the correspondent account.

### **Article 4. Bank and correspondent accounts of clearing participants**

1. For crediting of Kazakh tenges arriving from the Exchange, clearing participants may use their own bank or correspondent accounts in Kazakh tenges, opened in the National Bank or second-tier banks of the Republic of Kazakhstan.  

Clearing participants may use separate bank or correspondent accounts for separate carrying out of settlements and accounting of own and client money.
2. Clearing participants must provide to the Exchange details of bank accounts intended for crediting of Kazakh arriving from the Exchange in payment of net claims of clearing participants and at return by the Exchange of security of those

clearing participants and at return by the Exchange of security of those clearing participants, according to the form of the appendix 2 to these Rules.

3. Clearing participants must immediately notify the Exchange of changing details or closure of bank or correspondent accounts, details and lists of which were provided to the Exchange in accordance with item 2 of this article.
4. A clearing participant is fully responsible for consequences of provision to the Exchange of unreliable details of banks or correspondent accounts, as well as for consequences of violation of the obligation specified in item 3 of this article, including compensation of possible losses of the Exchange related to use by the Exchange of such unreliable details.

#### **Article 5. Payments of clearing participants in favor of the Exchange**

1. A clearing participant who has a net obligation towards the Exchange and/or obligation on margin security, must ensure the crediting of Kazakh tenges in payment of such obligation to the correspondent account of the Exchange no later than 17:15 o'clock of the day of emergence of such obligation.
2. A clearing participant may transfer tenges (besides execution of obligations specified in item 1 of this article) to the Exchange's correspondent account for forming margin security before the beginning of the trading day, as well as during such trading day.
3. At execution of settlements a clearing participant is prohibited from delegating the execution of payments in favor of the Exchange to its branches, subsidiaries or any third parties.

The prohibition, specified in paragraph one of this item, may not be applied based on a written permit of the Chairman of the Exchange's Management Board or the member of the Management Board supervising the Exchange's settlement unit, in a situation, when the clearing participant cannot fulfill obligations towards the Exchange on his own. In that case the clearing participant must submit a request containing the description of reasons for the impossibility to fulfill his obligations, as well as the name and bank details of the legal entity that will execute the payment in pursuance of the clearing participant's obligation. The request must be signed by the person, which in accordance with the document with signature samples provided to the Exchange, has the right of the first signature on behalf of that clearing participant.

#### **Article 6. Payments of the Exchange in favor of clearing participants**

1. The Exchange must submit instructions for transfer of Kazakh tenges to clearing participants in pursuance of their net claims to the Exchange before 18:00 o'clock of the settlement day, with the exception specified in item 2 of this article.
2. The Exchange may submit (a) separate instruction(s) later than the time specified in item 1 of this article, in case of untimely crediting to the Exchange's corresponding account of money from a clearing participant, or in case of carrying out of procedures of settlement of non-fulfilled obligations of an unfair or insolvent clearing participant in accordance with the Clearing Rules.

In case of conducting procedures of settlement of non-fulfilled obligations of an unfair or insolvent clearing participant on the current day of settlements, the Exchange submits (an) instruction(s) for transfer of Kazakh tenges to clearing participants in pursuance of their net claims in the amount defined in the Clearing Rules.

3. The Exchange must submit an instruction for transfer of Kazakh tenges from its correspondent account to a clearing participant in pursuance of its claim for return of money earlier credited to the Exchange's correspondent account, if such claim was documented in form of the clearing participant's request (taking into account restrictions specified in items 4 and 5 of this article).
4. At receipt of requests indicated in item 3 of this article, the Exchange checks them for compliance with terms specified in article 7 of these Rules. The Exchange must refuse the acceptance of the request for money return, if such request doesn't comply with any of the terms specified in article 7 of these Rules.
5. The Exchange may submit an instruction for transfer of Kazakh tenges from its correspondent account to any clearing participant as a money return, according to a request of that clearing participant drawn up according to the form of the appendix 5 to these Rules, only after the completion of the last clearing session for the current business day and receipt of the final summary list of settlement net obligations, generated in accordance with the Clearing Rules, provided data of such summary list witness that the return of money following the request of that clearing participant will not lead to him having a negative value of the security sufficiency in accordance with the Clearing Rules. At that such transfer is carried out during the request acceptance day, but no later than the last clearing session is finalized or until 9:45 o'clock of the next business day.
6. The total of payments by the Exchange in favor of the clearing participant on a particular day is subject to reduction by the total of non-fulfilled net obligations of that clearing participant towards the Exchange with the execution deadline on that day and/or on preceding days, as well as by the amount in Kazakh tenges making up the net claim of the clearing participant or part of such net claim with regard to which that clearing participant submitted an application according to the form of the appendix 3 to these Rules on an intention to keep those Kazakh tenges in the Exchange's correspondent account.

The request indicated in the first paragraph of this item must be signed by the trader of the clearing participant and presented to the Exchange no later than 16:00 of the settlement day. Acceptance of requests submitted later than the indicated time, is possible upon written permit from the Chairman of the Exchange's Management Board, or a deputy Chairman of the Exchange's Management Board that supervises the settlement unit.

7. The request indicated in the item 6 of this article is drawn up and presented to the Exchange in electronic form using the electronic digital signature in the information transfer system "eTransfer.kz", or in the special web-application of the Exchange executing functions of the clearing participant's personal cabinet, or in hard copy.
8. In case, the clearing participant uses several bank or correspondent accounts for crediting of Kazakh tenges, transferred by the Exchange, he must provide the Exchange with (an) instruction(s) according to the form of the appendix 4 to these Rules, specifying, to which bank and/or correspondent accounts the Exchange must transfer Kazakh tenges.

Each instruction must be signed by the trader of the clearing participant and provided to the exchange no later than 16:00 o'clock. Acceptance of instructions submitted later than the indicated time, is possible upon written permit from the Chairman of the Exchange's Management Board, or a deputy Chairman of the Exchange's Management Board that supervises the settlement unit.

An instruction according to the form of the appendix 4 to these Rules is drawn up and presented to the Exchange in electronic form using the electronic digital signature in the information transfer system "eTransfer.kz", or in the special web-application of the Exchange executing functions of the clearing participant's personal cabinet, or in hard copy.

9. The instruction indicated in item 8 of this article is considered valid only if details of bank and/or correspondent accounts correspond with details which were earlier provided to the Exchange by the clearing participant in accordance with article 4 of these Rules.
10. If the instruction indicated in item 8 of this article is not provided by the time specified in the second paragraph of item 8 of this article, or if that instruction is deemed invalid in accordance with item 9 of this article, the last one of instructions provided to the Exchange earlier, is valid.

**Article 7. Terms of submission by clearing participants of requests for money return**

1. A clearing participant may submit to the Exchange a request according to the form of the appendix 5 to these Rules for return of money in the amount not exceeding the positive difference between his maintained and variable margins calculated for that clearing participant based on results of the last clearing session on the day of request submission in accordance with the Clearing Rules taking into account fulfillment of his net obligation.
2. Applications according to the form of the appendix 5 to these Rules are drawn up and presented to the Exchange in electronic form using the electronic digital signature in the information transfer system "eTransfer.kz", or in the special web-application of the Exchange executing functions of the clearing participant's personal cabinet, or in hard copy.
3. This article doesn't apply to cases of return of the guarantee fee of the clearing participant. The terms and procedure of return of the guarantee fee are specified in the Clearing Rules.

**Article 7-1. Limitations during execution of settlements of trades on the derivatives market**

1. At inclusion of a clearing participant or his beneficial owner in the list of organizations and persons related to financing of terrorism and extremism, the Exchange, according to the procedure and in time stipulated by internal documents of the Exchange on countering the legalization (laundering) of unlawful revenues, and financing of terrorism, carries out the following measures:
  - 1) freezes transactions in money of such clearing participant by way of ceasing any transactions related to execution of settlements of trades on the derivatives market;
  - 2) discontinues the execution and refuses acceptance of requests and/or instructions submitted by such clearing participant for purposes of executing settlements of trades on the derivatives market.
2. The Exchange resumes transactions involving settlements of trades on the derivatives market with the clearing participant indicated in item 1 of this article, in accordance with internal documents of the Exchange, at removal of himself or his beneficial owner from the list of organizations persons related to financing of terrorism and extremism".

*(This article was included following a decision of the Exchange's Board of Directors dated December 12, 2018).*

**Article 8. Violation of the payment discipline by a clearing participant**

1. The following is considered violation of the payment discipline by a clearing participant:
  - 1) non-crediting or crediting of an incomplete amount of the net obligation of a particular clearing participant on the settlement day to the Exchange's correspondent account;

- 2) crediting of the amount of the net obligation of a particular clearing participant to the Exchange's correspondent account on the settlement day, but later than 17:15 o'clock;
  - 3) non-crediting or crediting of an incomplete amount of money in payment of margin claims of the Exchange towards a particular clearing participant on the settlement day to the Exchange's correspondent account.
2. Violation of the payment discipline by a particular clearing participant is an unconditional and sufficient reason for the Exchange not to execute net claims of that clearing participant or his claims for money return.
  3. The procedure of settlement of obligations of a clearing participant who committed a violation of the payment discipline, is specified in the Clearing Rules.
  4. For violation of the payment discipline a clearing participant must pay to the Exchange a penalty in the amount of a 15-fold monthly calculation indicator, valid as of the date of such violation.  
*(This item was amended following a decision of the Exchange's Board of Directors dated December 12, 2018).*
  5. The penalty indicated in the item 4 of this article, is calculated in Kazakh tenges and is subject to payment by the clearing participant within five business days from the day the Exchange issued a respective invoice.
  6. A clearing participant committing a violation of the payment discipline can be suspended from participating in the trading by a decision of the Exchange's Management Board. The duration of such suspension is determined by the Exchange's Management Board.

**Article 9. Non-fulfillment by the Exchange of the clearing participant's claims**

1. The following is deemed the non-fulfillment by the Exchange of the clearing participant's claim, taking into account restrictions specified in article 10 of these Rules:
  - 1) non-crediting or crediting of an incomplete amount of the net claim of a particular clearing participant on the settlement day to the Exchange's bank or correspondent account;
  - 2) non-crediting or crediting of an incomplete amount of the claim of a particular clearing participant for return of money subject to execution;
  - 3) violation of details of bank or correspondent account of a particular clearing participant when executing a payment of his claim.
2. A clearing participant whose claim was not executed by the Exchange, may turn to the Commission on settlement of disputes and conflicts with a request for recovery of the actual loss and/or forfeit.

**Article 10. Limits of the Exchange's responsibility**

1. The Exchange is not responsible for non-execution and/or non-crediting and/or incomplete crediting:
  - 1) of a net claim of a particular clearing participant on a particular day, if that clearing participant failed to fulfill his obligation towards the Exchange on that day;
  - 2) of net claims of particular clearing participants on a particular day, if a particular clearing participant failed to fulfill his obligation towards the Exchange on that day;



- 3) of a net claim of a particular clearing participant, if procedures of additional checking and/or estimation of the possibility of money transfer or other procedures are conducted with regard to that clearing participant, its parent organization or beneficial owner, with their consequence being non-fulfillment, incomplete or untimely fulfillment by the Exchange's correspondent bank of the Exchange's instruction for transfer of money to that clearing participant.
2. The Exchange undertakes measures within its competence, for timely execution of clearing participants' claims.
3. In any case the amount of forfeit paid by the Exchange cannot exceed 0.05 % of the amount of the unexecuted claim of the clearing participant (unexecuted claims of clearing participants), and in case of an incomplete execution – the amount of forfeit cannot exceed 0.05 % of the amount of unexecuted part of the claim.

**Article 11. Force-majeure circumstances**

1. Force-majeure circumstances mean:
  - 1) fire, earthquakes and other natural disasters, war, military operations, acts of terror, civil unrest, strikes, lockouts, embargo, other economic sanctions, prohibitions and restrictions imposed by government authorities;
  - 2) failure of software and hardware of the Republican state enterprise "Kazakhstan's center for inter-bank settlements", used by the Exchange and/or participants for execution of settlements.
2. The document confirming the fact of occurring of a force-majeure circumstance out of circumstances indicated in sub-item 1) of item 1 of this article, and defining the duration of its validity, is a document of the respective (competent) authority of the Republic of Kazakhstan or other competent authority (organization) of the respective country.
3. The document confirming the fact of occurring of a force-majeure circumstance out of circumstances indicated in sub-item 2) of item 1 of this article, and defining the duration of its validity, is a reference or other document signed by the first executive of the Republican state enterprise "Kazakhstan's center for inter-bank settlements" or the person substituting him.
4. The person for whom it became impossible to execute settlements due to occurrence of a force-majeure circumstance, must immediately notify the beneficiaries of payments involved in such settlements of the occurrence of the force-majeure circumstance, the anticipated duration and discontinuation.

If the person indicated in the first paragraph of this item is a clearing participant, such clearing participant must provide the Exchange with a document indicated in item 2 or item 3 of this article, within three business days since its receipt.
5. The Exchange and/or clearing participant(s) are freed from responsibility for the violation of deadlines for execution of claims and/or obligations in case, such violation was caused by the effect of a force-majeure circumstance that began after emergence of respective claims and/or obligations, and which the Exchange and/or clearing participants(s) couldn't foresee or prevent.
6. At occurrence of a force-majeure circumstance, the deadlines for settlements are postponed accordingly, for the duration of such circumstance.

**Article 12. Final provisions**

1. Situations related to execution of settlements on the derivatives market, the procedure of whose arrangement was not specified in these Rules or other

internal documents of the Exchange, as well as any other disputes related to execution of settlements on the derivatives market, are subject to arrangement by the Commission on settlement of disputes and conflicts. If such settlement is impossible, then – in accordance with laws of the Republic of Kazakhstan.

2. These Rules are subject to updating upon necessity, but not less than once every three years.

Chairperson of the Management Board

A. Aldambergen

**Appendix 1**

to the Rules of execution of  
the settlement of trades on  
the derivatives market

**THE LIST**  
**of special codes for identification of payments of clearing participants**  
**on trading on the derivatives market**

| Code  | Explanation of the code         | Type of payment for which the code is used                                |
|-------|---------------------------------|---|
| DVSET | Derivatives Trading Settlements | Payment of obligations on the variable margin (net obligation on trading) |
| DVMRG | Derivatives Margin              | Payment of the margin fee   |
| DVGFN | Derivatives Guarantee Fund      | Payment of guarantee fees on the derivatives market                       |

**Appendix 2**

to the Rules of execution of the settlement of trades on the derivatives market

**DETAILS**  
**of the bank account**

|  |  |
|--|--|
|  | Sheet <sup>1</sup>   |
| (name of the clearing participant)             | <input type="checkbox"/> In addition to those submitted earlier <sup>2</sup> |
| Date and time of provision                     | <input type="checkbox"/> Instead of those submitted earlier <sup>2</sup>     |
| Date from which the bank details are in effect | <input type="checkbox"/> Submitted for the first time <sup>2</sup>           |

|   |  |
|---|--|
| Name of beneficiary <sup>3</sup>        |  |
| Bank account No. (IIC <sup>4</sup> )    |  |
| BIN <sup>5</sup>                        |  |
| Name of beneficiary's bank <sup>6</sup> |  |
| BIC <sup>7</sup> of beneficiary's bank  |  |
| Beneficiary's code <sup>8</sup>         |  |

<sup>1</sup> In format "Sheet X out of n".

<sup>2</sup> Tick the relevant item with × or ✓.

<sup>3</sup> In this Appendix the beneficiary means a clearing participant.

<sup>4</sup> Individual identification code, being the No. of the bank account.

<sup>5</sup> Business identification number of the clearing participant.

<sup>6</sup> Name of the bank, where the bank account of the clearing participant is opened.

<sup>7</sup> Bank identification code of the bank, where the bank account of the clearing participant is opened.

<sup>8</sup> Beneficiary code.

[Chief executive officer]

[signature]

[Surname, initials]

[Chief accountant]

[signature]

[Surname, initials]

Signatures checked

(personal stamp of the checking employee of the Exchange, checking date)

**Appendix 3**

to the Rules of execution of the settlement of trades on the derivatives market

**REQUEST**

**for keeping money on the Exchange's correspondent account**

Kazakhstan Stock Exchange JSC

|                               |                          |
|-------------------------------|--------------------------|
| (clearing participant's name) | Request date             |
|                               | Request submission time  |
|                               | Request's effective date |

Hereby the above-mentioned clearing participant declares his intention to leave Kazakh tenges in the correspondent account of Kazakhstan Stock Exchange JSC:

| Purpose of keeping money in the Exchange's <sup>1</sup> correspondent account | Amount of money being kept (in digits and words) |
|---|--|
| <input type="checkbox"/> margin security                                      |  |
| <input type="checkbox"/> for consequent fulfillment of obligations            |  |
| <input type="checkbox"/> replenishment of the guarantee fee                   |  |

<sup>1</sup> Tick the relevant item with × or ✓.

This request is effective since the clearing participant has not provided any other request.

|   |  |
|---|--|
| From the clearing participant<br><br><br>(signature, surname, initials of the trader) | Trader's signature checked<br><br><br>(personal stamp of the checking employee of the Exchange, checking date) |
|---|--|

**Appendix 4**

to the Rules of execution of the settlement of trades on the derivatives market

**INSTRUCTION**  
**on money transfer**

Kazakhstan Stock Exchange JSC

|                                    |                              |
|------------------------------------|------------------------------|
| (name of the clearing participant) | Instruction date             |
|                                    | Instruction submission time  |
|                                    | Instruction's effective date |

Hereby the clearing participant notifies you that Kazakh tenges must be transferred to the following bank and/or correspondent accounts in the following banks:

| Bank/<br>bank details <sup>1</sup> | Amount of money being transferred |
|------------------------------------|-----------------------------------|
|                                    |                                   |

<sup>1</sup> Details of the bank account in tenges, provided to the Exchange by the clearing participant.

This instruction is effective since the clearing participant has not provided a more recent one.

|   |  |
|---|--|
| <p>From the clearing participant</p><br><br><p>(signature, surname, initials of the trader)</p> | <p>Trader's signature checked</p><br><br><p>(personal stamp of the checking employee of the Exchange, checking date)</p> |
|---|--|

**Appendix 5**

to the Rules of execution of the settlement of trades on the derivatives market

**REQUEST  
for money return**

Kazakhstan Stock Exchange JSC

|                                    |                         |
|------------------------------------|-------------------------|
| (name of the clearing participant) | Request date            |
|                                    | Request submission time |

Hereby the above-mentioned clearing participant request the Exchange to return the money<sup>1</sup>, earlier kept or transferred by this clearing participant to the Exchange's correspondent account for the following reasons:

| Reason for emergence of money in the Exchange's <sup>2</sup> correspondent account | Amount of money being returned<br>(in digits and words) |
|--|---|
| <input type="checkbox"/> margin security   |   |
| <input type="checkbox"/> excess money transferred with regard to exchange trading  |   |
| <input type="checkbox"/> money kept earlier  |   |

<sup>1</sup> The return of money to clearing participants is carried out by the Exchange exclusively to bank accounts or correspondent accounts of clearing participants, whose details were provided to the Exchange and which are valid as of the date of such request.

<sup>2</sup> Tick the relevant item with × or ✓.

|   |  |
|---|--|
| From the clearing participant<br><br>(signature, surname, initials of the trader) | Trader's signature checked<br><br>(personal stamp of the checking employee of the Exchange, checking date) |
|---|--|