

KAZAKHSTAN STOCK EXCHANGE JSC

Approved

by decision of the Management Board of
Kazakhstan Stock Exchange JSC

(minutes of the meeting
dated June 30, 2016 No. 65)

Effective

from July 1, 2016

PROCEDURE **for Monitoring of** **Exchange Members**

Almaty City

2016

This Procedure has been developed subject to the laws of the Republic of Kazakhstan and internal documents of Kazakhstan Stock Exchange JSC (hereinafter referred to as the Exchange) and determines the procedure for monitoring of the members of the Exchange, including those with a status of the clearing participants, for compliance with the requirements of the laws of the Republic of Kazakhstan and internal documents of the Exchange.

Article 1. General provisions

1. Notions used in this Procedure shall be used in meanings in which they are used in the internal documents of the Exchange regulating the terms and conditions and procedure for activities of its members.
2. For the purposes of this Procedure, members of the Exchange shall mean all members of the Exchange, including its foreign members, organizations membership of which on the Exchange has been suspended for any reason, as well as the clearing participants of the Exchange, with the exception of the National Bank of the Republic of Kazakhstan (hereinafter referred to as the National Bank), which according to the laws of the Republic of Kazakhstan, carries out state regulation of the securities market, and the Eurasian Development Bank, which is an international financial organization and a subject of the international law.
3. The Exchange shall monitor disclosure of information by its members in order to control completeness and timeliness of provision of their reports and information about their activities to the members of the Exchange.

The Exchange shall monitor financial condition of its members in order to identify situations of deterioration in solvency of its members.

4. Results of monitoring of the members of the Exchange shall be used only for internal purposes of the Exchange.

The Exchange shall notify the National Bank on a quarterly basis of cases of violation by members of the Exchange of the requirements for disclosure of information, provision of reports and/or documents to the Exchange.

Article 2. Procedure for disclosure of information by the member of the Exchange.

1. Member of the Exchange shall disclose information, provide the Exchange with reports and/or documents specified in article 16 of the Membership Regulation and annexes 8 and 9 to the Membership Regulation, as well as in article 10 of the Regulation on Clearing Participants (hereinafter referred to as the Information), within the timeframe as established respectively by the Membership Regulation and the Regulation on Clearing Participants, as well as subject to requirements of the laws of the Republic of Kazakhstan and other internal documents of the Exchange.
2. Information disclosure by the member of the Exchange shall be carried out through the is2in system subject to the agreement on procedure for transferring information to the Exchange by its member.
3. Member of the Exchange shall use the is2in system through a special section of the Internet resource of the Exchange dedicated to the member of the Exchange (hereinafter referred to as the Special Section).

Article 3. Monitoring of Information disclosure by members of the Exchange

1. Monitoring shall be carried out by a subdivision of the Exchange, one of the main functions of which is monitoring of Information disclosure (hereinafter referred to as the Monitoring Department).

2. The Monitoring Department shall control the timing of Information disclosure as established by the laws of the Republic of Kazakhstan and internal documents of the Exchange.
3. Information received from members of the Exchange shall be posted on the Internet resource of the Exchange in content, volume and manner as established by an internal document of the Exchange regulating the rules for disseminating exchange information.
4. When monitoring the Information disclosure by members of the Exchange, the Exchange shall check the Information in terms of:
 - 1) method of provision of the Information;
 - 2) timely provision of the Information;
 - 3) completeness of the Information;
 - 4) correctness of Information formatting;
 - 5) presence (absence) of significant errors, typos and inaccuracies in the Information;
 - 6) reliability of the content of the Information.
5. When verifying the Information regarding the method of its provision, the Exchange shall check that the Information was provided to the Exchange through the is2in system (through the Special Section) or other acceptable methods established by the Membership Regulation and other internal documents of the Exchange.
6. When verifying the Information regarding the timeliness of its provision, the Exchange shall check compliance of the time of this provision with the deadlines established by the Membership Regulation, the Regulation on Clearing Participants and other internal documents of the Exchange.
7. When verifying the Information in terms of its completeness and correctness of execution, the Exchange shall check compliance of the Information with the requirements established by the Membership Regulation, the Regulation on Clearing Participants and other internal documents of the Exchange, according to content of documents and other materials to be provided to the Exchange.
8. When verifying the Information regarding the presence (absence) of errors, typos and inaccuracies in it, the Exchange shall check the presence (absence) in the Information of errors, typos and inaccuracies that can mislead users of the Information.
9. When verifying the Information regarding its reliability, the Exchange shall selectively and limitedly, within its capabilities and competence, check the Information for presence of obvious inconsistencies and contradictions between individual elements of the Information, as well as for obvious inconsistencies and contradictions between the Information and public information, available to the Exchange from other sources, primarily from the media.

Article 4. Procedure for verification of the Information received from member of the Exchange

1. Information received from member of the Exchange through the is2in system, as it is received, shall undergo a two-stage verification procedure by the following employees of the Exchange:
 - 1) at the first stage – by a specialist from the Monitoring Department;
 - 2) at the second stage – by a head of the Monitoring Department or his deputy (a person acting to perform his duties).

2. During verification of the Information, the Special Section shall represent its status – “Under verification” – and a name and surname of the verifier.
3. At the end of each stage of verification of the Information provided by the member of the Exchange, a notice about status of the information being verified (“Verified”, “Requires improvement”, “Rejected”, “Sent for publication”) shall be sent to his email address, which shall be also represented in the Special section, and a name and surname of the employee of the Exchange who verified the information.
4. If at the stage of verification of the Information it is revealed that it does not comply with the applicable requirements, such information shall be assigned the status “Requires improvement” or “Rejected”, and the Monitoring Department shall notify member of the Exchange which provided the Information through the is2in system or by e-mail about the need for correction and/or replacement of the Information within the timeframe established for its provision to the Exchange.
5. After the Information is verified by the Monitoring Department, the Information shall be automatically transferred to a back office of the Exchange (in the section corresponding to the type of Information), where it shall be placed for storage and subsequent use by employees of the Exchange in charge of monitoring of the members of the Exchange.
6. Information received from members of the Exchange after passing the verification, within five minutes after assigning it the status “Sent for publication”, shall be posted on pages with data of the members of the Exchange of the Internet resource of the Exchange in the content, volume and procedure established by the internal document of the Exchange regulating the rules for dissemination of exchange information.
7. Information received from members of the Exchange in other acceptable ways established by the Membership Regulation, after undergoing verification, shall be posted on pages of the Internet resource of the Exchange with data of the members of the Exchange in content, volume and manner established by the internal document of the Exchange regulating the rules for dissemination of exchange information.

Article 5. Monitoring of the financial condition of the member of the Exchange

1. Monitoring of the financial condition of the member of the Exchange shall be carried out by the Monitoring Department on the basis of Information provided by members of the Exchange as this Information is received by the Exchange.
2. Monitoring of the financial condition of the member of the Exchange shall include:
 - 1) verification of compliance by the member of the Exchange with prudential standards and/or other essentially similar standards or indicators subject to requirements of the applicable laws;
 - 2) control of compliance by the member of the Exchange with requirements for minimum amounts of authorized and equity capital established by the laws of the Republic of Kazakhstan and the Membership Regulation – for members of the Exchange being legal entities of the Republic of Kazakhstan, and the Membership Regulation – for foreign members of the Exchange;
 - 3) assessment of the financial condition of the member of the Exchange subject to the Methodology for assessment of the financial condition of members of the Exchange.

Article 6. Verification of compliance by the member of the Exchange with legal requirements and internal documents of the Exchange

1. Annual monitoring plan for members of the Exchange shall consist of inspections of members of the Exchange for compliance with requirements of laws and internal documents of the Exchange, content of which is provided for in clause 2 of this article.
2. Verifications of compliance by the member of the Exchange with legal requirements and internal documents of the Exchange shall include:
 - 1) verification of completeness and timeliness of information disclosure by the member of the Exchange, which is carried out subject to articles 3 and 4 of this Procedure;
 - 2) monitoring of the financial condition of the member of the Exchange, which is carried out subject to article 5 of this Procedure;
 - 3) verification of compliance by the member of the Exchange with the requirements for its risk management system, which is carried out subject to clause 3 of this article;
 - 4) verification of compliance by the member of the Exchange with the requirements of the laws of the Republic of Kazakhstan and internal documents of the Exchange with participation in trades conducted by the Exchange, pre-trading and post-trade procedures and other actions related to participation in trades to be conducted by the Exchange and membership on the Exchange, which is carried out by structural subdivisions of the Exchange within the their competence and subject to the internal documents of the Exchange.
3. Verification of compliance by the member of the Exchange with the requirements for its risk management system shall be carried out by the Monitoring Department annually based on relevant reports of this member of the Exchange as such reports are received. Results of verification of compliance by the member of the Exchange with the requirements for its risk management system shall be included in reports on results of monitoring of members of the Exchange.

If, as a result of such audit based on the report of the member of the Exchange, it is revealed that the risk management system of this member of the Exchange meets at least 80% of the requirements (criteria) established by the applicable laws, it shall be considered that this member of the Exchange complies with the requirements for its risk management system.

If, as a result of such audit based on the report of the member of the Exchange, it is revealed that the risk management system of this member of the Exchange complies or partially complies with at least 50% of the requirements (criteria) established by the applicable laws, it shall be considered that this member of the Exchange partially complies with the requirements for its system risk management.

If, as a result of such an audit based on the report of the member of the Exchange, it is revealed that the risk management system of this Exchange member does not meet more than 50% of the requirements (criteria) established by applicable law, then it is considered that this Exchange member does not comply with the requirements for its risk management system.

Article 7. Reporting on results of monitoring of members of the Exchange

1. The Monitoring Department shall execute a report on results of monitoring of members of the Exchange (hereinafter referred to as the Report) and present it to the Clearing House, the Clearing Office of the Exchange and submit it to the Management Board of the Exchange for study:
 - 1) monthly no later than the last business day of the month following the reporting month, including information about members of the foreign exchange market and derivatives market of the Exchange;
 - 2) quarterly no later than the last business day of the month following the expired calendar quarter, including information about all members of the Exchange.
2. In order to prepare the Report, structural subdivisions of the Exchange, including the Trading Department, the Clearing House, the Clearing Office, as soon as they are identified, shall provide the Monitoring Department with information about violations by members of the Exchange of the requirements of laws and internal documents of the Exchange committed when participating in trades conducted by the Exchange, carrying out pre-trading and post-trading procedures and other actions related to participation in trades conducted by the Exchange and membership in the Exchange.
3. The report shall include information about:
 - 1) violation by members of the Exchange of the requirements for Information disclosure established by the laws of the Republic of Kazakhstan and the internal documents of the Exchange;
 - 2) results of assessment of the financial condition of the members of the Exchange carried out subject to the Methodology for assessment of the financial condition of the members of the Exchange;
 - 3) compliance by members of the Exchange with prudential standards and/or other essentially similar standards or indicators subject to the requirements of the applicable laws;
 - 4) compliance by members of the Exchange with the requirements for minimum amounts of authorized and equity capital established by the laws of the Republic of Kazakhstan and the Membership Regulation – for members of the Exchange being legal entities of the Republic of Kazakhstan, and the Membership Regulation – for foreign members of the Exchange;
 - 5) financial indicators of members of the Exchange, including whether they had profits or losses as of the last reporting date;
 - 6) compliance by members of the Exchange with the requirements for risk management systems;
 - 7) violations by members of the Exchange of legal requirements and internal documents of the Exchange admitted with participation in trades to be conducted by the Exchange, pre-trading and post-trade procedures and other actions related to participation in trades to be conducted by the Exchange and membership on the Exchange.
4. The Management Board of the Exchange will study the Report at its next meeting and, if necessary, take measures in relation to individual members of the Exchange, provided for by the internal documents of the Exchange.
5. The monitoring subdivision, no later than the fifth business day following the day the Management Board of the Exchange studies the Report, shall provide the National Bank with information on cases of violation by members of the Exchange of the requirements for Information disclosure.

Article 8. Limitation of liability of the Exchange

The Exchange shall not be responsible for accuracy of the Information disclosed by the member of the Exchange, since the Exchange does not have the opportunity to verify and/or confirm its accuracy. Along with that, the Exchange shall do its best to verify the Information for its accuracy.

Chairperson of the Management Board

Aldambergen A.U.