KAZAKHSTAN STOCK EXCHANGE JSC

A p p r o v e d

by the decision of
Management Board
of Kazakhstan Stock Exchange

(meeting minutes No. 129
dated October 24, 2019)

Effective

from November 1, 2019

METHODOLOGY

for Determining Liquidity Indicators of Securities

Almaty

2019

This Methodology determines the procedure for calculating the liquidity indicators of securities admitted to circulation in the trading system of Kazakhstan Stock Exchange JSC (hereinafter referred to as the Exchange), as well as the procedure for compiling lists of securities depending on their liquidity level.

Chapter 1. GENERAL PROVISIONS

1. The concepts used in this Methodology are defined by other Exchange internal documents
2. The liquidity degree of a particular type of security is characterized by the Li liquidity indicator calculated for particular type of security according to Chapter 2 of this Methodology.
3. When calculating liquidity indicator of any particular type of security:
    1) deal, falling to repo transactions are not considered;
    2) deals, made within specialized trades are not considered;
    3) only executed deals, made by open bidding methods are considered.
4. In order to ensure the representativeness of liquidity indicators and their compliance with the objective level of securities turnover on the exchange market, the Committee on Indices and Securities Valuation (hereinafter referred to as the Committee) has the right to exclude transactions that, in its opinion, are clearly non-arm's length transaction from the calculation (for example, the deals made with technical errors, the deals with prices that are clearly discordant with market status and/or market dynamics of respective securities prices).
5. In the event of conclusion of transactions with securities for which the indicator (Li) is calculated in foreign currency, the transaction volume for the calculation of these indicators is expressed in tenge using the official rate of the National Bank of the Republic of Kazakhstan established for this foreign currency on the date of the transaction with such securities.

Chapter 2. CALCULATION OF LIQUIDITY INDICATOR VALUES

6. The liquidity indicator of any particular type of securities for any period of time (hereinafter - the analyzed period) is calculated by the formula:

$$\mathrm{Li} = \mathrm{Vi} + \mathrm{Qi} + \mathrm{Pi} + \mathrm{Di}, \text{ where::}$$

V_i – indicator of the volume of deals with securities of the i-th denomination;

Q_i – indicator of the number of deals with securities of the i-th denomination;

P_i – indicator of the number of members of the Exchange participating in making deals with securities of the i-th denomination;

D_i – indicator of the number of productive days in which deals with securities of the i-th denomination were concluded.

7. The indicators Vi, Qi, Pi and Di can be assigned the following values depending on the actual values of the volume and the number of deals, as well as the number of Exchange members who concluded these deals and the number of days on which these deals were concluded,:

0 – low level;

1 - average level;

2 - above average level;

3 - high level.

8. The values of indicators indicated in item 7 of this Methodology are set for the each particular type of securities in respect of which the liquidity indicators are being calculated, in accordance with the appendix to this Methodology.

   To determine the indicator of the volume of deals, the total volume of deals with this particulare type of securities concluded during the analyzed period is calculated. If the volume of any deal (any deals) in the Exchange information systems is expressed in foreign currency, then the volume of such deal (such deals) is converted into tenge at the rate of this foreign currency to the tenge established by the National Bank of the Republic of Kazakhstan at the date of such deals (such deals).

   To determine the indicator of the number of deals, the actual number of deals with this particular type of securities concluded during the analyzed period is used.

   To determine the indicator of the number of Exchange members, the actual number of Exchange members who have concluded deals with this particular type of securities during the analyzed period is used.

   To determine the indicator of the number of productive days, the percentage of days in which deals with this particular type of securities were made, expressed as a percentage, of the total number of working days in the analyzed period is used.

Глава 3. FORMING LIQUIDITY LISTS

9. The liquidity list is a list of securities of any type (any types or securities related to any part of the Exchange's list (for example, sector, market, category) sorted by liquidity level - in descending order of liquidity calculated in accordance with Chapter 2 of this Methodology.
10. Lists of securities with ranking by their liquidity level are formed in the following order:
    1) the list of securities is determined for which it is necessary to determine the liquidity level, as well as the period for which the liquidity level will be determined - the analyzed period.
    2) the liquidity indicator value is calculated for each particular type of security on the list developed in compliance with sub-item1) of this item;
    3) when developing the resultant list, any particular types of securities are sorted in the descending order of their liquidity indicators value, at this the resultant list may contain all names of securities from the list defined according to sub-item1) of this item or its certain part characterized by one common feature (e.g., the resultant list may include ten particular types of securities that have the highest indicator of liquidity – Top-10).
11. For the Exchange's internal purposes, the following lists are formed:
    1. the first class liquidity securities;
    2. the second class liquidity securities;
    3. the third class liquidity securities.
12. The lists of securities specified in item 11 of this Methodology are compiled in accordance with items 13-17 of this Methodology, and are approved by the Committee no later than the business day following the day of their preparation. The day of preparation of such lists is the twenty-third day of each month. If the twenty-third number falls on a non-working day in the Republic of Kazakhstan, then the day on which lists are formed is the next working day.

    The formed lists come into effect on the first day of the month following the month in which they were formed and are valid for one calendar month (taking into account the features established by item 17 of this Methodology).
13. The lists specified in item 11 of this Methodology are formed from the following securities whose trades were opened on the Exchange no later than 30 calendar days preceding the day when the lists were formed (taking into account the features established by item 17 of this Methodology):

    1) Shares;

2) Depositary receipts;

3) Securities of investment funds.

14. To compile the lists specified in item 11 of this Methodology, the Exchange calculates the values of the liquidity indicator Li for securities of each denomination in accordance with Chapter 2 of this Methodology. The calculation is based on the parameters of transactions concluded in the Exchange trading system with securities specified in item 13 of this Methodology within 30 calendar days preceding the day the lists are formed.

15. Depending on the value of the indicator Li, the securities belong to one or another list from the number indicated in item 11 of this Methodology in the following order (taking into account the features established by item 18 of this Methodology):

1) The securities, the Li value of which is greater than or equal to 9, belong to the list of securities of the first liquidity class;

2) The securities, the Li indicator of which is greater than or equal to 4, but less than 9, belong to the list of securities of the second liquidity class;

3) The securities, the Li index of which is less than 4, belong to the list of securities of the third liquidity class;

16. When any particular type of securities are included in the lists of the Exchange, they are included in the list of securities of the third liquidity class and remain in that list until at least 30 calendar days have elapsed since the date of the opening of trading in these securities on the Exchange (taking into account features established by paragraph 17 of this Methodology). Subsequently, these securities are assigned to the list of securities of one or another liquidity class on a common basis in accordance with this Methodology.

17. In some cases, any particular type of securities may be included in the list of securities of the first or second class of liquidity by a decision of the Committee, regardless of the value of the liquidity indicator Li calculated for them and regardless of the opening date of trading in such securities, provided that there are objective facts allowing to consider this particular types of securities as liquid or potentially liquid (for example, due to their active trading or offering in foreign markets) and / or corresponding to the first or second liquidity class. Such a decision of the Committee can be taken both at the next formation of the lists, and on any other day.

18. The lists specified in item 11 of this Methodology are published on the Exchange's website no later than the first day of the month following the month in which they were formed.

Chapter 4 FINAL PROVISIONS

19. The Department of Information and Statistics is responsible for implementation of this Methodology and introduction of amendments and / or additions to it (updating).
20. This Methodology must be updated as necessary, but at least once every three years.

Chairperson of Management Board Alina Aldambergen

Appendix

to the Methodology for Determining Liquidity Indicators of Securities

MATRIX

Values for calculating the liquidity indicators of securities

Table 1. Shares

Indicator level	Indicator score	Indicator of the volume of deals, mln tenge	Indicator of the number deals, nmb	Indicator of the number of Exchange members	Indicator of the number of productive days,%
1	2	3	4	5	6
High	3	V ≥ 100	Q ≥ 300	P ≥ 5	D ≥ 90
Above the average	2	100 > V ≥ 50	300 > Q≥ 100	5 > P≥ 3	90 > D ≥ 50
Middle	1	50 > V ≥ 1	100 > Q ≥ 10	3 > P ≥ 2	50 > D ≥ 20
Low	0	V < 1	Q < 10	P < 2	D < 20

Table 2. Securities of investment funds

Indicator level	Indicator score	Indicator of the volume of deals, mln tenge	Indicator of the number of deals, nmb	Indicator of the number of Exchange members	Indicator of the number of productive days,%
1	2	3	4	5	6
High	3	V ≥ 20	Q ≥ 12	P ≥ 3	D ≥ 25
Above the average	2	20 > V ≥ 7	12 > Q ≥ 7	3 > P ≥ 2	25 > D ≥ 20
Middle	1	7 > V ≥ 4	7 > Q ≥ 5	2 > P ≥ 1	20 > D ≥ 10
Low	0	V < 4	Q < 5	P < 1	D < 10

Table 3. Depositary receipts

Indicator level	Indicator score	Indicator of the volume of deals, mln tenge	Indicator of the number of deals, nmb	Indicator of the number of Exchange members	Indicator of the number of productive days,%
1	2	3	4	5	6
High	3	V ≥ 10	Q ≥ 5	P ≥ 2	D ≥ 15
Above the average	2	10 > V ≥ 5	5 > Q ≥ 3	P ≥ 2	15 > D ≥ 10
Middle	1	5 > V ≥ 1	3 > Q ≥ 1	P = 1	10 > D ≥ 5
Low	0	V < 1	Q < 1	P = 0	D < 5