

KAZAKHSTAN STOCK EXCHANGE JSC

A p p r o v e d

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

(minutes No. 147 dated November 29, 2019)

E f f e c t i v e

as of December 3, 2019

N O T I C E

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

PROCEDURE

of including financial instruments in List T+ and Collateral list T+

Almaty

2019

This Procedure has been developed in accordance with the legislation of the Republic of Kazakhstan and internal documents of Kazakhstan Stock Exchange JSC (hereinafter – the Exchange) and contains a description of the procedure of forming the List of financial instruments admitted to deals with partial collateral (hereinafter – the List T+), the List of financial instruments accounted for as collateral for deals with partial collateral (hereinafter – the Collateral list T+), as well as the conditions of including financial instruments in the List T+ and Collateral list T+, and exclusion from said lists.

Article 1. General provisions

1. This Procedure uses concepts and terms defined by the legislation of the Republic of Kazakhstan, internal documents of the Exchange "Rules execution of exchange activities" (hereinafter – the Rules of exchange activities), "Rules of execution of clearing activities on deals in financial instruments" (hereinafter - the Clearing Rules) and other internal documents of the Exchange.
2. The List T+ is formed from financial instruments for transactions in which the Exchange carries out clearing activities acting as the central counterparty and which meet the requirements established by article 2 of this Procedure.

The financial instruments of the List T+ are admitted to transactions with partial collateral, for which the Exchange acts as the central counterparty.
3. The Collateral list T+ is formed from the financial instruments of the List T+ that meet the requirements established by article 4 of this Procedure.
4. The List T+ and the Collateral list T+ (hereinafter the T + Lists) are approved by the Exchange's Management Board in the manner specified in article 5 of this Procedure.
5. Financial instruments admitted to concluding transactions on the terms of partial collateral are:
 - on the currency market – currencies included in the "List T+";
 - on the stock market – securities included in the List T+, and currencies included in the Collateral list T+;
 - on the derivatives market – all derivative financial instruments, trading in which was opened following a decision of the Exchange's Management Board;
6. Financial instruments accepted as collateral for transactions with partial collateral are:
 - on the currency market – currencies included in the Collateral list T+;
 - on the stock market – securities and currencies, included in the "Collateral list T+";
 - on the derivatives market – the national currency.
7. In order to include a financial instrument in a certain list and its presence in the specified list, a financial instrument of a certain title must meet requirements for liquidity, reliability, as well as other characteristics in accordance with this Procedure.

Article 2. Requirements for financial instruments for inclusion in the List T+

1. Compliance of the financial instrument with the liquidity requirement is determined taking into account the following criteria:
 - 1) it is in the list of securities of the first liquidity class, approved in accordance with the Exchange's internal document "Methodology of defining securities liquidity indicators", for at least two consecutive calendar months;

- 2) it is a government security issued by the Ministry of Finance of the Republic of Kazakhstan or the National Bank of the Republic of Kazakhstan;
- 3) it is a bond with the amount of the placed issue of at least 5 (five) billion tenge for bonds issued in accordance with the legislation of the Republic of Kazakhstan, or at least 35 (thirty five) billion tenge for bonds issued in accordance with the legislation of foreign states;
- 4) the presence of a market-maker for this financial instrument;
- 5) the availability of a written agreement with at least one trading participant on the readiness to act as a provider for purchase and sale transactions with this financial instrument at the request of the Exchange;
- 6) with respect to a financial instrument, there is an opinion of the unit responsible for managing the liquidity of the Central counterpart regarding the possibility of forcibly liquidating unfulfilled obligations within the time period established by the Clearing Rules and there is a recommendation to include it in the List T+.

A financial instrument is recognized as complying with the liquidity requirement if it meets at least one criterion, and at that the compliance with the criteria of sub-item 2) or 6) of this item is mandatory.

2. Compliance of a financial instrument for reliability criteria is determined by assessing the financial stability and creditworthiness of the issuer of the financial instrument and the appropriate distribution of this financial instrument into groups in accordance with the Exchange's internal document "Methodology of assessing the risk level of issuers of securities listed on the Exchange" (hereinafter - the Issuers evaluation methodology) based on a decision of the Committee.

A financial instrument must meet the following criteria of reliability:

- 1) in respect of foreign currencies – government securities of the country of the issuer of this foreign currency are included in group 1 (securities with the highest level of reliability) or group 2 (securities with a high level of reliability);
- 2) in relation to securities – a security is included in group 1 or in group 2, or in group 3 (securities with a reliability level above the average).
3. A bond of a certain title may be included in the List T+, subject to its compliance with the following characteristics:
 - must be traded at "net" prices;
 - must not be a perpetual or subordinated bond;
 - the term for registering the security's register to effect its redemption shall be no later than 4 (four) business days before the deadline for fixing the register for effecting its redemption.
4. On the List T+ of the stock market, based on a decision of the Exchange's Management Board taken in accordance with the provisions of article 5 of this Procedure, securities can be included that do not meet the requirements established by items 1-2 of this article, provided that the increasing coefficient is applied to the initial margin rates and concentration rates approved by the Exchange's Management Board.

Article 3. Conditions for setting the features "prohibition of short sales" and "prohibition of unsecured purchases" for financial instruments

1. For financial instruments included in the List T+, the Exchange has the right to establish the following features:

- 1) feature "prohibition of unsecured purchases": is established in relation to currency and means that transactions with settlements in such currency are concluded with full coverage of liabilities arising in such currency;
 - 2) the feature "prohibition of short sales": is established in relation to a security and means that transactions with such a security are concluded with full coverage of arising obligations in such a security.
2. The characteristics specified in item 1 of this article shall be established on the basis of a decision of the Committee if one of the following conditions exists:
- 1) the average daily total amount of foreign currency recorded in the clearing accounts of all clearing participants for the last calendar month and (or) for the previous business day is less than the concentration limit established for this foreign currency;
 - 2) the average daily total amount of securities accounted for in clearing accounts of voluntary providers for the last calendar month and (or) for the previous business day is below the concentration limit established for this financial instrument.
3. The Exchange has the right to establish the period of validity of the features specified in item 1 of this article, whereby:
- 1) if only the start date of the feature validity is determined, the feature is effective starting from this date and indefinitely;
 - 2) in case of establishing the period of validity of a feature, the feature is valid from the date of the beginning of the period of validity (inclusive) until the end of the period of validity (inclusive).

Article 4. Requirements for financial instruments for inclusion in the Collateral list T+

1. To include a financial instrument in the Collateral list T+ and to be in the specified list, such a financial instrument must be included in the List T+.
2. A financial instrument must meet the following liquidity criteria:
 - 1) in relation to the financial instrument, there is an analytical opinion of the unit responsible for the liquidity management of the Central counterpart, regarding the possibility of forcibly liquidating unfulfilled obligations within one trading day;
 - 2) in relation to securities:
 - it is a government security issued by the Ministry of Finance of the Republic of Kazakhstan or the National Bank of the Republic of Kazakhstan or
 - is a bond, the amount of the placed issue of which is not less than 10 (ten) billion tenge for bonds issued in accordance with the legislation of the Republic of Kazakhstan, or not less than 45 (forty five) billion tenge for bonds issued in accordance with the legislation of foreign states;
 - 3) in respect of foreign currency, the value of the approved concentration limit of such foreign currency is not less than 10 (ten) billion tenge in equivalent.
3. A financial instrument must meet the reliability criteria established by item 2 of article 2 of this Procedure.
4. A bond of a particular denomination can be included in the Collateral list T+ provided that it meets the following characteristics:
 - it must be traded at "net" prices;
 - must not be a perpetual or subordinated bond or indexed or with a floating coupon rate;

- the registry fixing time for its repayment is at least 2 (two) business days from the current trading date for this bond.
5. Securities that do not meet the requirements established by items 2 – 3 of this article may be accepted in the Collateral list T+ of the stock market, based on a decision of the Exchange's Management Board taken in accordance with the procedure provided for in article 5 of this Procedure, provided that the increasing coefficient is applied to initial margin rates and concentration rates approved by the Exchange's Management Board.

Article 5. The procedure of inclusion of financial instruments in the List T+ and the Collateral list T+ and the procedure of their exclusion from the lists.

1. The Exchange monthly monitors financial instruments for compliance with the requirements for their inclusion in the Lists T+ and (or) exclusions from the Lists T+ no later than the last business day of the month.
2. According to the results of monitoring of financial instruments for compliance with the requirements:
 - 1) if it is necessary to make changes and (or) additions to the List T+ and (or) the Collateral list T+, the clearing unit prepares an appropriate opinion on changing the List T+ and (or) the Collateral list T+ (hereinafter – the Opinion) and puts it up for consideration in accordance with item 4 of this article;
 - 2) in the absence of the need to make changes and (or) additions to the List T+ and (or) the Collateral list T+, preparation of the Opinion specified in sub-item 1 of this item, and putting it up for consideration is not required.
3. During the preparation of the Opinion, the clearing unit is entitled to request from other structural divisions of the Exchange additional information and documents necessary, in the opinion of the clearing unit, to prepare a reasoned Opinion.
4. The Conclusion indicates information that is the basis for making a decision on the inclusion of a financial instrument in the List T+ and / or in the Collateral list T+, or on the exclusion of a financial instrument from these lists.
5. The inclusion of financial instruments in the Lists T+ or the exclusion of financial instruments from the Lists T+ is carried out on the basis of the recommendations of the Committee and the decision of the Exchange's Management Board taken on the basis of the consideration of the Opinion prepared in accordance with items 2 – 4 of this article.

If it is necessary to exclude a financial instrument from Lists T+ in an expeditious manner, the Exchange's Management Board has the right to make this decision without the recommendations of the Committee.

6. The Exchange may carry out an extraordinary consideration of the possibility of including a financial instrument of a certain title in the List T+ based on the request of the clearing participant drawn up in a deliberate form.
7. The Exchange has the right to carry out an extraordinary consideration of the need to exclude a financial instrument of a certain title from the List T+ and (or) from the Collateral list T+ in the following cases:
 - 1) occurrence of cases of non-fulfillment by the issuer of such financial instrument of its obligations or upon receipt by the Exchange of information indicating a worsening of financial condition of the issuer of such financial instrument, as a result of which the financial instrument has ceased to meet the reliability criteria established by this Procedure;
 - 2) announcement of the issuer of this financial instrument on the repurchase/exchange of this financial instrument;

- 3) other cases of significant change in market conditions, prices of financial instruments, increased market volatility.
8. A financial instrument may be excluded from the Lists T+ if it does not meet the requirements of article 2 (for the List T+) and article 4 (for the Collateral list T+) of this Procedure, as well as in the event of any of the cases specified in item 7 of this article.
9. In case of expiration (early expiration) of the bond circulation term, the specified bond is automatically excluded from the List T+ 4 (four) business days and (or) from the Collateral list T+ 2 (two) business days prior to the registry fixing deadline for its redemption without the Exchange's Management Board taking an appropriate decision.
10. A financial instrument may be excluded from the Lists T+ temporarily (for a certain period) in the following cases:
 - 1) if there is information about the issuer's corporate events (stock repurchases, delisting, negative events in relation to major shareholders, as well as other events that increase the risk of default and/or lead to increased volatility of the price characteristics of the financial instrument);
 - 2) long holidays in the Republic of Kazakhstan or on external markets where this financial instrument is traded.
11. The decision of the Management Board on the inclusion of a financial instrument in the List T+ and/or the Collateral list T+, or on the exclusion of a financial instrument from the List T + and/or from the Collateral list T + is communicated to clearing participants no later than one business day before the date of the coming into effect of the respective changes by publishing the respective news item on the Exchange's website (www.kase.kz).

Article 6. Final provisions

1. This Procedure and all changes and/or additions this Procedure are brought to the attention of clearing participants by posting on the Exchange's website (www.kase.kz).
2. This Procedure is subject to updating as necessary, but at least once every three years, calculated from the date of coming into effect of this Procedure.
3. Responsibility for making timely changes and additions to this rests with the Clearing chamber.

Chairperson of the Management Board

A. Aldambergen