

# KAZAKHSTAN STOCK EXCHANGE

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Agreed on

with the Agency of the Republic of  
Kazakhstan on Regulation and Supervision of  
Financial Market and Financial Organizations

on April 21, 2010

Deputy Chairman of the Agency of the  
Republic of Kazakhstan on Regulation  
and Supervision of Financial Market  
and Financial Organizations

A. ALDAMBERGEN

**A g r e e d o n**

with the Agency of the Republic of  
Kazakhstan on Regulation of Activities of the  
Regional Financial Center of Almaty

on April 8, 2010

Chairman of the Agency of the Republic  
of Kazakhstan on Regulation of Activities  
of the Regional Financial Center of Almaty

A. ARYSTANOV

**A p p r o v e d**

by Kazakhstan Stock Exchange  
Council decision

(protocol No. 6 of March 30, 2010)

**E f f e c t i v e**

from April 26, 2010

## **NOTICE**

Regulations below have 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.

# **REGULATIONS**

## **on the Exchange Board of Directors Committee on Issuers Financial Reporting and Audit**

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Almaty

2010

## LIST OF AMENDMENTS

### 1. Amendments No. 1:

- agreed on with the Committee on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan on November 8, 2011;
- approved by Kazakhstan Stock Exchange Board of Directors decision (minutes No. 26 of October 6, 2011);
- effective from November 11, 2011.

### 2. Changes and additions No. 2:

- agreed on with the National Bank of the Republic of Kazakhstan on April 10, 2014;
- approved by Kazakhstan Stock Exchange Board of Directors decision (minutes No. 12 of March 11, 2014);
- effective from April 18, 2014.

### 3. Changes and additions No. 3:

- agreed on with the National Bank of the Republic of Kazakhstan on December 3, 2014;
- approved by Kazakhstan Stock Exchange Board of Directors decision (minutes No. 42 of November 7, 2014);
- effective from January 1, 2015.

### 4. Changes and additions No. 4:

- agreed on with the National Bank of the Republic of Kazakhstan on September 9, 2015;
- approved by Kazakhstan Stock Exchange Board of Directors decision (minutes No. 18 of July 29, 2015);
- effective from September 18, 2015.

These Regulations have been developed in compliance with the legislation of Republic of Kazakhstan and define the structure, functions and rights of the Exchange Board of Directors Committee on Issuers Financial Reporting and Audit (hereinafter – the Committee), as well as the procedure of execution of the Committee's functions, responsibilities and liability of its members.

The Committee is that committee of the Board of Directors of the stock exchange on issues of financial audit of issuers, the necessity of establishment of which was specified in item 10 of Resolution # 195 of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations "On Requirements for the Trades Organizer Institutional Structure and the Stock Exchange Listing Commission Composition, and on Approval of Rules on Performance of the Trades organizer Structural Division, Supervising Deals Execution in the Trades Organizer Trading System" of November 28, 2009.

*(This preamble was changed by a decision of the Exchange Board of Directors of July 29, 2015).*

## Section 1. GENERAL PROVISIONS

1. The terminology used in these Regulations means the following:
  - 1) **"accredited professional auditing organization"** – as defined by the Law of the Republic of Kazakhstan "On Auditing Activities" of November 20, 1998;
  - 2) **"affiliated person"** – as this definition is stated in the Act of Republic of Kazakhstan "On Joint-Stock Companies" of May 13, 2003 *(this sub-item was changed by a decision of the Exchange Board of Directors of July 29, 2015);*
  - 3) **"Listing Department"** – the structural division of Kazakhstan Stock Exchange JSC (hereinafter – the Exchange), whose main responsibility is preparation of summaries on possibility of listing, de-listing, change of category of the securities list *(this sub-item was changed by the Exchange Council decision of March 11, 2014 and a decision of the Exchange Board of Directors of July 29, 2015);*
  - 3-1) **"Monitoring Department"** – the Exchange structural division, whose main responsibility is to perform monitoring of securities quoted in the Exchange's official list and their issuers for compliance with requirements specified for such securities and their issuers by the legislation of the Republic of Kazakhstan and internal documents of the Exchange *(this sub-item was included by the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015);*
  - 4) **"official"** – (with regard to a member of the Committee – member of the Exchange Board of Directors) member of Board of Directors (supervisory body), executive body or person, solely performing duties of the executive body of any legal person out of those listed in sub-items 1)-5) of item 3 of these Regulations) *(this sub-item was changed by a decision of the Exchange Board of Directors of July 29, 2015);*
  - 5) **"conflict of interests"** – as defined by item 3 of these Regulations;
  - 6) **"major shareholder"** – as defined by the Act of the Republic of Kazakhstan "On Joint Stock Companies" of May 13, 2003;
  - 7) **"Authorized body"** – National Bank of Republic of Kazakhstan *(this sub-item was changed by the Exchange Council decision of October 6, 2011 and a decision of the Exchange Board of Directors of July 29, 2015);*
  - 8) **"expert-auditor"** – an employee of the Listing department executing checking of auditing organizations for compliance with qualification requirements<sup>1</sup>, as well as checking of reports and other documents of auditing organizations received by the Listing department *(this sub-item was removed by a decision of the Exchange Council of October 6, 2011 and included by a decision of the Exchange Board of Directors of July 29, 2015).*

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<sup>1</sup> Qualification requirements for auditing organizations for admission of financial instruments to the special floor of the regional financial center of Almaty, approved by resolution No. 243 of management Board of National Bank of Republic of Kazakhstan of December 24, 2014 *(this footnote was changed by a decision of the Board of Directors of July 29, 2015).*

2. Other concepts, used in these Regulations are identical to those defined by the legislation of Republic of Kazakhstan and other internal documents of the Exchange *(this item was changed by a decision of the Exchange Board of Directors of July 29, 2015)*.
3. For purposes of these Regulations the conflict of interests means the situation, when the Committee member's interests conflict with his obligations to be an independent and unbiased at involvement in the Committee activities. Unless otherwise specified by the Committee in individual or general cases, the conflict of interest means a situation, when the Committee member is a participant (major shareholder), an official, an employee or an affiliate of:
  - 1) an issuer of securities, whose financial reporting, auditors' report (auditors' reports) on whose financial statements or an organization auditors' report on whose financial statements review are liable to control or being controlled by the Committee; and/or
  - 2) an organization that is a subsidiary or dependent joint-stock company to this securities issuer; and/or
  - 3) an organization, in relation to which this securities issuer is a subsidiary organization or dependent joint-stock company; and/or
  - 4) an organization, which together with this securities issuer are subsidiary organizations or dependent joint-stock companies of a third organization;
  - 5) financial advisor of the securities issuer, financial statements of which, auditors' report (auditors' reports) on financial statements of which or auditors' report on review of financial statements of which are subject to audit or are audited by the Committee.

*(This item was changed by a decision of the Exchange Board of Directors of July 29, 2015)*.

4. The Committee is a permanent nonstructural body of the Exchange whose main functions are as follows:
  - 1) considering auditors' reports on issuers' financial statements (reports of auditing organizations on review of issuers interim financial statements, special purpose auditors' report on unit investment funds), whose securities are supposed to be admitted or have been admitted to the official list, as well as financial statements attached to the mentioned reports, and preparing of corresponding information on results of consideration of the mentioned reports and financial statements at the Listing Department's request, including if it has been initiated by the Monitoring unit;
  - 2) development of the list of auditing organizations recognized by the Exchange for purposes of considering issues of possibility of including securities in the official list (on giving consent to inclusion in the official list of bonds supposed for issue in accordance with the legislation of states other than Republic of Kazakhstan) and for their being in the mentioned list (hereinafter – the auditing organizations list), according to the procedure, stipulated by Chapter 2 of these Regulations.

*(This item was supplemented by a decision of the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015)*.

- 4-1. For purposes of chapter 1 of these Regulations auditor's reports on financial statements of issuers (auditing organizations' reports on review of interim financial statements of issuers, special purpose reports on unit investment trusts), whose securities are supposed to be admitted or have been admitted to the official list, as well as financial statements attached to the mentioned reports are jointly referred to as financial documentation *(this item was changed by a decision of the Exchange Board of Directors of July 29, 2015)*
- 4.2. The Listing Department's request on consideration of securities issuer's financial documents for the purpose of their compliance with listing requirements (with regard to financial reporting standards) and applicable legislation (with regard to standards of audit), signed by the Listing Department head or person replacing him (hereinafter for purposes of Chapter 1 of these Regulations – the request) must be accompanied by those financial documents and other possible documents (copies of documents), which relate to those financial documents, in hard copy or in electronic form *(this paragraph was included by a decision of the Exchange Board of Directors of July 29, 2015)*;

5. The Committee has the following additional functions:
- 1) development of the data base on auditing organizations, included to the auditing organizations list, including the information on results of implementation by the Committee of functions, enumerated in item 4 of these Regulations;
  - 2) contacts with auditing organizations, included to the auditing organizations list, and counseling auditing organizations on issues related to requirements for an audit of listed companies and organizations – candidates to listed companies (*this paragraph was changed by a decision of the Exchange Council decision of March 11, 2014*);
  - 3) other functions, set forth by the Exchange internal documents.
6. When implementing activities the Committee uses e-mail as the main mean of communication between the Listing Department, the Committee Chairman, the Committee members and persons, entitled to replace the Committee Chairman and members in case of their absence or interests conflict (*this paragraph was supplemented by a decision of the Exchange Council decision of March 11, 2014*).

In order to send messages via e-mail to Committee Chairman, the Committee members and persons, entitled to replace the Committee Chairman and members in case of their absence or interests conflict shall be used those e-mail addresses that were provided to the Listing Department by Committee Chairman, the Committee members and persons, entitled to replace the Committee Chairman and members in case of their absence or interests conflict (*this paragraph was supplemented by a decision of the Exchange Council decision of March 11, 2014*).

In order to send messages via e-mail to the Listing Department, the Committee Chairman, the Committee members and persons, entitled to replace the Committee Chairman and members in case of their absence or interests conflict, have the right to use only one e-mail address – listing@kase.kz (*this paragraph was supplemented by a decision of the Exchange Council decision of March 11, 2014*).

## Section 2. COMMITTEE MEMBERS

7. The Committee consists of:
- 1) a representative of the Authorized body
  - 2) a member of the Exchange Management Board
  - 3) Director of Listing Department
  - 4) Head of Monitoring Unit;
  - 5) members of the Exchange Board of Directors (hereinafter – the Board of Directors) (*this sub-item was changed by a decision of the Exchange Board of Directors of July 29, 2015*);
  - 6) (*this sub-item was changed by a decision of the Exchange Board of Directors of July 29, 2015*).

*(This item was changed by decisions of the Exchange Council of October 6, 2011, March 11, 2014 and November 7, 2014).*

8. The Committee composition is approved by the Board of Directors decision, in doing so (*this paragraph was changed by a decision of the Exchange Board of Directors of July 29, 2015*):
- 1) the Committee member – representative of the Authorized body (hereinafter – the Committee member on behalf of the Authorized body) is defined by an Authorized body independently according to the procedure set by this body;
  - 2) (*this sub-item was excluded by a decision of the Exchange Board of Directors of March 11, 2014*);

- 3) the Committee member – the Exchange Management Board member (hereinafter – the Committee member on behalf of the Exchange Management Board) is defined by the Exchange Management Board decision;
  - 4) the Listing Department director is the Committee member ex officio (*this sub-item was supplemented by a decision of the Exchange Board of Directors of March 11, 2014*);
  - 4-1) the Monitoring Unit Head is the Committee member ex officio (*this sub-item was added by a decision of the Exchange Board of Directors of November 7, 2014*);
  - 5) the Committee members – members of the Board of Directors (hereinafter – the Committee members on behalf of the Board of Directors) are elected by the Board of Directors (*this sub-item was changed by a decision of the Exchange Board of Directors of July 29, 2015*);
  - 5-1) (*this sub-item was included by a decision of the Exchange Council of November 7, 2014 and removed by a decision of the Exchange Board of Directors of July 29, 2015*);
  - 6) persons, elected to the Committee composition can be re-elected unlimited number of times.
9. The Authorized body in the course of defining the Committee member on behalf of the Authorized body has the right to additionally define its employees that are entitled to replace this Committee member in case of his absence (hereinafter in the text the absence means temporary disablement, vacation or business trip).

The Board of Directors when electing the Committee members being representatives of the Board of Directors has the right to additionally assign other members of the Board of Directors entitled to replace these Committee members in case of their absence or involvement in a conflict of interests.

The major shareholder when electing the Committee members being representatives of this shareholder has the right to additionally assign other persons entitled to replace these Committee members in case of their absence.

*(This item was changed by a decision of the Exchange Council of October 6, 2011, changed and supplemented by a decision of the Exchange Council of November 7, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015).*

10. When electing the Chairman of Committee the Board of Directors has the right to simultaneously elect members of the Committee entitled to replace the Committee Chairman in case of his absence or involvement in a conflict of interests (*this item was changed by a decision of the Exchange Board of Directors of July 29, 2015*).
11. The term of office of the Committee members on behalf of the Authorized body and the Authorized body employees entitled to replace these Committee members in case of their absence, are defined by the Authorized body independently according to the order set by this body (*this paragraph was changed by the Board of Directors decisions of October 6, 2011 and November 7, 2014*).

The term of office of the Committee members on behalf of the Board of Directors and members of the Board of Directors entitled to replace these Committee members in case of their absence or involvement in a conflict of interest, expire simultaneously with the term of office of the Board of Directors who elected them (considering specifics set forth by item 12 of these Regulations) (*this paragraph was changed by a decision of the Exchange Board of Directors of July 29, 2015*).

*(This paragraph was included by a decision of the Exchange Council of November 7, 2014 and removed by a decision of the Exchange Board of Directors of July 29, 2015).*

12. The Committee members on behalf of the Board of Directors are elected (reelected) by the Board of Directors at one of its first meetings held after the Exchange shareholders general meeting, where the Board of Directors in this composition has been elected (*this paragraph was changed by a decision of the Exchange Board of Directors of July 29, 2015*).

The Board of Directors may at any time early terminate authorities of any Committee member from the Board of Directors and elect the new Committee member to act on behalf of the Board



of Directors *(this paragraph was changed by a decision of the Exchange Board of Directors of July 29, 2015)*.

The Board of Directors may at any time terminate authorities of all Committee members acting on behalf of the Board of Directors and elect new Committee members to act on behalf of the Board of Directors *(this paragraph was changed by a decision of the Exchange Board of Directors of July 29, 2015)*.

The Board of Directors may at any time terminate authorities of the Board of Directors members that have the right to replace the Committee members on behalf of the Board of Directors in case of their absence or involvement in a conflict of interests and elect new members of the Board of Directors, entitled to replace these Committee members in case of their absence or involvement in a conflict of interests *(this paragraph was changed by a decision of the Exchange Board of Directors of July 29, 2015)*.

The Board of Directors may at any time additionally elect the Committee members on behalf of the Board of Directors and the Board of Directors members, entitled to replace these Committee members in case of their absence or involvement in a conflict of interests *(this paragraph was changed by a decision of the Exchange Board of Directors of July 29, 2015)*.

13. In case of absence of the Committee Chairman or involvement in a conflict of interests, the Committee Chairman's authorities are exercised by the Committee member, who is entitled to replace the Committee Chairman in case of his absence or involvement in a conflict of interests. In case of availability of several Committee members, entitled to replace the Committee Chairman in case of his absence or involvement in a conflict of interests, the Committee Chairman's authorities shall be delegated in compliance with the procedure of such replacement, approved by the Board of Directors *(this paragraph was changed by a decision of the Exchange Board of Directors of July 29, 2015)*.

If the Board of Directors did not elect the Committee members, entitled to replace the Committee Chairman in case of his absence or involvement in a conflict of interests to preside over the Committee meeting, where the Committee Chairman is absent, one of the Committee members on behalf of the Board of Directors present at this meeting can be elected as a chairing person *(this paragraph was changed by a decision of the Exchange Board of Directors of July 29, 2015)*.

14. If the Committee member on behalf of the Exchange Management Board is absent this member authorities can be fulfilled by another Exchange Management Board member in compliance with the order of the Exchange Management Board members replacement in case of their absence.
15. In case of absence of the Listing Department director and/or the Monitoring Unit Head this Committee member authorities are fulfilled by the Exchange employee – acting Listing Department director and acting Monitoring Unit Head *(this item was supplemented by the Exchange Council decisions of March 11, 2014 and November 7, 2014)*.
16. In case of absence of the Committee member on behalf of the Board of Directors or involvement in a conflict of interests and at availability of several members of the Board of Directors earlier elected as entitled to substitute the Committee members on behalf of the Board of Directors in case of their absence or involvement in a conflict of interests and capable of substituting that member of Committee, defining the particular member of Board of Directors for purposes of such substitution is carried out by the Committee secretary upon results of communication with those members of Board of Directors by any available means *(this item was changed by a decision of the Exchange Board of Directors of July 29, 2015)*.

### **Section 3. RIGHTS OF THE COMMITTEE**

17. When implementing functions, indicated in item 4 of these Regulations, the Committee has the right to directly or through the special task to the Listing Department to *(this item was supplemented by the Exchange Council decision of March 11, 2014)*:

- 1) invite to the Committee meeting representatives of securities issuer and/or an auditing organization that audited (reviewed) this issuer financial statements or representatives of an auditing organization – a candidate for its admission to the auditing organizations list;
- 2) forward to the securities issuer questions related to its financial statements; an auditing organization that audited (reviewed) this issuer financial statements, questions related to an audit (review) of this issuer financial statements; an auditing organization – a candidate for its admission to the auditing organizations list, questions related to being considered by the Committee documents of this auditing organization;
- 3) request in the securities admittance initiator copies of the following documents:
  - a) an agreement for securities issuer financial statements audit;
  - b) a plan of securities issuer financial statements audit;
  - c) other document that relate to securities issuer financial statements audit;
- 4) request in an auditing organization copies of the following documents:
  - a) proving existence in an auditing organization of an internal quality control system and this system functioning;
  - b) proving implementation of securities issuer financial statements audit (materials, files) at the Committee option;
- 5) initiate implementation by the professional auditing organization, where this auditing organization has a membership, to check this organization auditing services with involvement of the Committee representative;
- 6) check auditing services' quality, provided by this auditing organization, as well as this auditing organization's internal control system functioning with involvement of the Committee employees jointly with Listing Department's employees, assigned for such inspection by the Committee (*this sub-item was supplemented by the Exchange Council decision of March 11, 2014*).

#### **Section 4. THE COMMITTEE FUNCTIONS IMPLEMENTATION**

##### **Chapter 1. CONSIDERATION OF FINANCIAL DOCUMENTATION**

18. Within two working days after completion by the expert-auditor of checking of financial documentation attached to the request to the Committee Chairman or the Committee member, entitled to replace the Committee Chairman in case of his absence or involvement in a conflict of interests (hereinafter – replacing him person), the Committee secretary:
  - 1) based on the available information on relations of the Committee members on behalf of the Exchange Board of Directors with the auditing organization and securities issuer related with the documentation attached to the request, with the financial advisor of that securities issuer<sup>2</sup>, and through negotiations with the Committee members on behalf of the Exchange Board of Directors, defines the possibility of involvement in a conflict of interests of someone from the Committee members on behalf of the Exchange Board of Directors with regard to the financial documents attached to the request, and in case of involvement in a conflict of interest of someone from the Committee members on behalf of the Exchange Board of Directors acts in accordance with item 16 of these Regulations;
  - 2) agrees with the Committee members and replacing them persons the date, time and place of the Committee meeting;

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<sup>2</sup> Any used information that was provided to the Exchange by the Exchange Board of Directors under their obligations set forth by article 67 of Law of the Republic of Kazakhstan "On Joint Stock Companies" of May 13, 2003.



- 3) forms the agenda of the Committee meeting and via e-mail sends to Committee members and persons replacing them a notice of conducting the Committee meeting with the proposed agenda in format .pdf;
- 4) posts in the closed section of the Exchange website the request, financial documentation attached and other possible documents related to those financial documents, in .pdf document.

*(This sub-item was supplemented and changed by the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015);*

19. The Committee meeting to consider the request, financial documents attached thereto and other possible documents that relate to these financial documents, is carried out within seven working days following the date, when the Committee members or replacing them persons were sent notices of the Committee meeting *(this item was supplemented by the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors )*.
20. The Committee meeting is implemented according to the procedure independently defined by such meeting participants as well as documented in minutes, which is agreed on within three working days following the date of this meeting implementation, signed by the Committee Chairman or person replacing him, or another person elected to chair this meeting and by the Committee secretary, elected out of the Listing Department employees *(this item was supplemented by the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015)*.
21. The minutes of Committee meetings are handed over to the Listing Department for consecutive storage not later than the next working day after their signing by persons mentioned in item 20 of these Regulations *(this item was supplemented by the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015)*.
22. If the Committee meeting minutes contain the Committee's opinion that considered financial documents comply with listing requirements (in terms of financial reporting standards) and the applicable legislation (in terms of audit standards), the Listing Department and /or Monitoring unit shall accept these financial documents for purposes, for which the documentation was submitted *(this item was supplemented by the Exchange Council decision of March 11, 2014 and changed by a decision of the exchange Board of Directors of July 29, 2015)*.
23. If the Committee meeting minutes contain decisions that entail the necessity of implementation by the Committee or the Listing Department of any activities out of those mentioned in sub-items 2)–6) of item 17 of these Regulations related to financial documents considered by the Committee, the Committee or the Listing Department shall implement these activities within five working days following the day, when these minutes were signed and handed over to the Listing Department *(this item was supplemented by the Exchange Council decision of March 11, 2014)*.
24. The time, during which the Committee or the Listing Department in compliance with item 23 of these Regulations must be submitted documents (the information), indicated in sub-items 2)–4) of item 17 of these Regulations, are set forth in corresponding letters (requests) addressed to mentioned in sub-items organizations *(this item was supplemented by the Exchange Council decision of March 11, 2014)*.
25. The time, during which is implemented the checkup, mentioned in sub-item 5) of item 17 of these Regulations, with the results submitted to the Committee or the Listing Department, is set forth by a professional auditing organization *(this item was supplemented by the Exchange Council decision of March 11, 2014)*.
26. The quantitative and personal composition of inspectors, the time during which is implemented the checkup, mentioned in sub-item 6) of item 17 of these Regulations, and the document format to formalize such checkup are defined by the Committee decisions.
27. After the Committee and the Listing Department implement activities in compliance with item 23 of these Regulations, the repeated Committee meeting to consider financial documents is implemented during seven working days upon expiry of terms, set forth by items 24–26 of these

Regulations *(this item was supplemented by the Exchange Council decision of March 11, 2014)*.

The Committee or the Listing Department implement the Committee repeated meeting decisions, recorded in the meeting minutes *(this item was supplemented by the Exchange Council decision of March 11, 2014)*.

28. The Committee cannot consider one and the same package of financial documents more than two times.
29. The Committee meetings minutes, any other documents (information) related to financial documents can be attached to the conclusion (used in the conclusion) of the Listing Department on the possibility of securities' admission to the official list or securities' transfer from the lower to the higher category of the official list, and can be taken into account by the Committee when considering inclusion of an auditing organization to the auditing organizations list by either of two levels (revision of its compliance with qualification requirements of either of two levels), as well as removal of an auditing organization from this list *(this item was supplemented and changed by the Exchange Council decision of March 11, 2014 and changed by the Exchange Council decision of November 7, 2014 and a decision of the Exchange Board of Directors of July 29, 2015)*.

## **Chapter 2. THE LIST OF EXCHANGE RECOGNIZED AUDITING ORGANIZATIONS**

30. The list of auditing organizations is developed and amended based on the Committee decisions, made based on the auditing organization's compliance with either of the two levels *(this item was changed by the Exchange Council decision of October 6, 2011 and supplemented by the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015)*.
31. The Committee decisions on inclusion of auditing organizations in the auditing organizations list by either of two levels, removal of auditing organizations from this list, revision of auditing organizations compliance with either of two levels' qualification requirements are made based on documents, submitted by auditing organizations in compliance with item 32 of these Regulations considering terms set forth by item 29 of these Regulations *(this item was changed by the Exchange Council decision of March 11, 2014 and a decision of the Exchange Board of Directors of July 29, 2015)*.
32. For the Committee's consideration of the issue related to an auditing organization inclusion in the auditing organizations list (on the possibility of transfer of an auditing organization from a lower level to a higher level of the auditing organizations list) this auditing organization must submit to the Exchange:
  - 1) an application addressed to the Committee Chairman on its admission in the auditing organizations list (on transfer of an auditing organization from a lower level to a higher level of the auditing organizations list), which must contain the information (name, position, telephone number, e-mail address) on an employee (employees) of this auditing organization, who shall contact with the Exchange on issues related to respective procedures;
  - 2) (if the auditing organization is a resident on Republic of Kazakhstan and seeks inclusion in the list of auditing organizations by the first level) a copy of the conclusion of the professional auditing organization, accredited by an authorized government body on auditing activities, attesting unconditional observance (with mark "excellent") by this auditing organization of international auditing standards and the Code of Ethics of International Federation of Accountants based on results of an external quality control;
  - 3) (if the auditing organization is a resident on Republic of Kazakhstan and seeks inclusion in the list of auditing organizations by the second level) a copy of the conclusion of the professional auditing organization, accredited by an authorized government body on auditing activities, attesting unconditional observance (with mark "excellent") or with some faults (with mark "good") by this auditing organization of international auditing standards

- and the Code of Ethics of International Federation of Accountants based on results of an external quality control;
- 4) (if the auditing organization is a non-resident on Republic of Kazakhstan and seeks inclusion in the list of auditing organizations by the first level) a copy of the conclusion of the professional auditing organization-member of International Federation of Accountants, or a conclusion of an authorized government body of the state where this auditing organization is resident, attesting unconditional observance (with mark "excellent") by this auditing organization of international auditing standards and the Code of Ethics of International Federation of Accountants based on results of an external quality control;
  - 5) (if the auditing organization is a non-resident on Republic of Kazakhstan and seeks inclusion in the list of auditing organizations by the second level) a copy of the conclusion of the professional auditing organization-member of International Federation of Accountants, or a conclusion of an authorized government body of the state where this auditing organization is resident, attesting unconditional (with mark "excellent") or with some faults (with mark "good") observance by this auditing organization of international auditing standards and the Code of Ethics of International Federation of Accountants based on results of an external quality control;
  - 6) a copy of the agreement of civic-legal liability insurance of auditing organization;
  - 7) (if the auditing organization is a resident on Republic of Kazakhstan) copies of documents confirming execution of auditing activities for at least three years, including copies of the document on registration of the legal entity and license of auditing organization, based on which it executes auditing activities;
  - 8) (if the auditing organization seeks inclusion is a non-resident on Republic of Kazakhstan) copies of documents confirming execution of auditing activities for at least three years, including copies of the document on registration of the legal entity and license of auditing organization, based on which it executes auditing activities, if its operation is subject to licensing in accordance with the effective legislation;
  - 9) (if the auditing organization seeks inclusion in the list of auditing organizations by the first level – compliance with item 2 of qualification requirements) availability of at least three auditors with any of international certificates in the field of accounting and auditing from Associate Chartered Accountant (ACA), Chartered Institute of Management Accountants (CIMA), Certified Public Accountant (CPA), of the Association of Chartered Certified Accountants (ACCA), including notarized copies of such certificates and/or licenses, qualifying certificates or other documents, similar in their purpose, as well as documents certifying those auditors' status of practicing specialists in compliance with the legislation of the country of origin of the certificate and/or license, or with the rules of the organization that issued the certificate and/or license, and a copy of the document (copies of documents) certifying that those auditors are employees of that auditing organization;
  - 10) (if the auditing organization seeks inclusion in the list of auditing organizations by the second level – compliance with item 3 of qualification requirements) availability of at least two auditors with any of international certificates in the field of accounting and auditing from Associate Chartered Accountant (ACA), Chartered Institute of Management Accountants (CIMA), Certified Public Accountant (CPA), of the Association of Chartered Certified Accountants (ACCA), including notarized copies of such certificates and/or licenses, qualifying certificates or other documents, similar in their purpose, as well as documents certifying those auditors' status of practicing specialists in compliance with the legislation of the country of origin of the certificate and/or license, or with the rules of the organization that issued the certificate and/or license, and a copy of the document (copies of documents) certifying that those auditors are employees of that auditing organization;
  - 11) (if the auditing organization seeks inclusion in the list of auditing organizations by the first level – compliance with item 2 of qualification requirements) copies of at least 15 auditor's reports out of those issued by that auditing organization for the last three years and attached financial statements drawn up in accordance with the International Financial Reporting Standards (IAS/IFRS) or financial reporting standards effective in the US (US GAAP) according to which those reports were issued, sealed by the stamp of that organization.

- 12) (if the auditing organization seeks inclusion in the list of auditing organizations by the second level – compliance with item 3 of qualification requirements) copies of at least 10 auditor's reports out of those issued by that auditing organization for the last three years and attached financial statements drawn up in accordance with the International Financial Reporting Standards (IAS/IFRS) or financial reporting standards effective in the US (US GAAP) according to which those reports were issued, sealed by the stamp of that organization.

*(This item was changed by the Exchange Council decision of March 11, 2014 and a decision of the Exchange Board of Directors of July 29, 2015).*

33. Documents out of those listed in sub-items 2)–12) of item 32 of these Regulations, with pages more than one, must be bound, numbered, signed by a person authorized to interact with the Exchange and sealed by the auditing organization's stamp *(this paragraph was changed by the Exchange Council decision of March 11, 2014 and a decision of the Exchange Board of Directors of July 29, 2015).*

In addition, documents mentioned in the first paragraph of this item must be submitted electronically in the .pdf format and must be the scanned copies of documents' paper versions *(this paragraph was changed by the Exchange Council decision of March 11, 2014).*

- 33-1. Within five working days after the expert-auditor completed checking documents attached to the auditing organizations' application for its inclusion in the list of auditing organizations (on transfer of the auditing organization from the lower level to the higher level of the list of auditing organizations), whose presentation is required in accordance with item 32 of these Regulations, the expert-auditor shall prepare a respective summary which has to be signed by the Listing department's head or a person substituting him, and by the expert-auditor.

The summary prepared by the expert-auditor must contain information on results of checking the auditing organization for compliance with item 2 or 3 of qualification requirements.

*(This item was included by a decision of the Exchange Board of Directors of July 29, 2015).*

34. During two working days after the expert-auditor prepared a summary on the possibility of inclusion of an auditing organization in the auditing organizations list (on transfer of an auditing organization from a lower level to a higher level of the list of auditing organizations) the Committee's secretary:

- 1) based on available data on relationships between members of the Committee representing the Board of Directors and that auditing organization, auditor's reports on whose financial statements are attached to the mentioned summary, as well as by way of negotiations with members of the Committee representing the Board of Directors, finds the possibility of involvement in a conflict of interests of a member of the Committee representing the Board of Directors due to documents attached to the mentioned summary, and in case of detecting involvement in a conflict of interests of a member of the Committee representing the Board of Directors shall act in accordance with item 16 of these Regulations;
- 2) agrees with members of the Committee and persons substituting them the date and time of conducting a meeting of the Committee;
- 3) draws up the agenda of the Committee meeting and via e-mail sends to members of the Committee and persons substituting them a notice of conducting a meeting of the Committee with the proposed agenda in format .pdf;
- 4) posts in the closed section of the Exchange web-site the mentioned summary and documents attached to this conclusion in format .pdf.

*(This item was changed and supplemented by the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015).*

- 34-1. Representatives of the auditing organization the issue of inclusion of which in the auditing organizations list (issue on the possibility of transfer of which from a lower level to a higher level of the list of auditing organizations) is considered are invited to the Committee meeting *(This item was included by a decision of the Exchange Board of Directors of July 29, 2015).*

35. The decision on an auditing organization admission to the auditing organizations list (transfer of an auditing organization from a lower level to a higher level of the list of auditing organizations) is considered made if the majority from the total number of the Committee members or persons replacing them, present at the meeting, voted for it (*this paragraph was changed by the Exchange Council decision of March 11, 2014*).
- If for such admission (transfer) were given less votes than specified in the first paragraph of this item, it is considered that the Committee refused such admission (transfer) (*this paragraph was changed by the Exchange Council decision of March 11, 2014*).
- If for such admission (transfer) were given fifty percent of votes from the total number votes of the of the Committee members or persons replacing them, present at the meeting, after an additional discussion the question is put to a repeated voting (*this paragraph was changed by the Exchange Council decision of March 11, 2014*).
36. The Committee decision on admission to the auditing organizations list (transfer of an auditing organization from a lower level to a higher level of the list of auditing organizations) becomes effective on the next day after such decision is made (*this paragraph was changed by the Exchange Council decision of March 11, 2014*).
- A respective information message is published on KASE website (*this paragraph was changed by the Board of Directors decisions of October 6, 2011 and March 11, 2014*).
37. If the Committee minutes contain the decision stipulating the need in implementation by the Committee of actions listed in sub-items 4)–6) of item 17 of these Regulations, the Committee implements these actions during five working days after the day, when such decisions were made.
38. The time frame, during which the Committee in compliance with item 37 of these Regulations must submit documents (information), specified in sub-item 4) of item 17 of these Regulations, is set forth in an appropriate letter (requests), which is addressed to an auditing organization.
39. The Committee actions, stipulated by sub-items 5)–6) of item 17 of these Regulations are implemented in compliance with items 25 and 26 of these Regulations.
40. When the Committee implements actions in compliance with item 37 of these Regulations, a repeated meeting of the Committee to consider the issue related to the possibility of an auditing organization's admission to the auditing organizations list (on the possibility of transfer of an auditing organization from a lower level to a higher level of the list of auditing organizations) is convened within seven working days upon expiry of time frames, set forth by items 38–39 of these Regulations (*this item was changed by the Exchange Council decision of March 11, 2014 and a decision of the Exchange Board of Directors of July 29, 2015*).
41. If the Committee refuses an auditing organization's admission to the auditing organizations list (transfer of an auditing organization from a lower level to a higher level of the list of auditing organizations) a repeated consideration by the Committee of the application of that auditing organization for its inclusion in the list of auditing organizations (on transfer of the auditing organization from the lower level to the higher level of the list of auditing organizations) is convened within seven working days upon expiry of time frames, set forth by items 38–39 of these Regulations (*this item was changed by the Exchange Council decision of March 11, 2014 and a decision of the Exchange Board of Directors of July 29, 2015*).
42. An auditing organization can be removed from the auditing organizations list at the Committee initiative based on the following reasons:
- 1) detection of facts of incompliance of an auditing organization with qualification requirements;
  - 2) termination of auditing activities;
  - 3) suspension or termination of a license for auditing activities;
  - 4) detection by the Committee of cases of issue by an auditing organization of an unauthentic auditors report due to a professional mistake or in collusion with its client;



- 5) provision by an auditing organization of unauthentic, inaccurate or incomplete information about itself and its activities;
  - 6) detection by the Committee of two and more facts of violation by the auditing organization of the legislation (*this item was changed by a decision of the Exchange Board of Directors of July 29, 2015*);
  - 7) detection by the Committee of three and more facts of violation by the auditing organization of liabilities set forth in items 46 and 46-1 of these Regulations (*this item was changed by a decision of the Exchange Board of Directors of July 29, 2015*).
- 42-1. At emergence of any of grounds stipulated by item 42 of these Regulations, the expert-auditor shall prepare a summary on removal of the auditing organization from the auditing organizations list.
- Preparation of a summary on removal of the auditing organization from the auditing organizations list is carried out by the expert-auditor within three working days from the date of receipt by the Listing department of information (documents), necessary and sufficient for preparation of such inclusion.
- The summary on removal of the auditing organization from the auditing organizations list is signed by the Department listing head, or the person substituting him, and the expert-auditor.
- (This item was changed by a decision of the Exchange Board of Directors of July 29, 2015)*
43. If an auditing organization included to the auditing organizations list ceases to comply with the higher level qualification requirements, but at the same time complies with the lower level qualification requirements, the Committee revises this auditing organization's compliance with qualification requirements and makes a decision on compliance of the auditing organization with the lower level qualification requirements (*this item was changed by the Exchange Council decisions of March 11, 2014 and November 7, 2014*).
  44. Procedures of making by the Committee of a decision on removal of an auditing organization from the auditing organizations list based on reasons, specified in item 42 of these Regulations and on transfer of an auditing organization from a higher level to a lower level of the list of auditing organizations based on reasons, specified in item 43 of these Regulations are similar to those described in items 34 and 35 of these Regulations (*this item was changed by the Exchange Council decision of March 11, 2014*).
  45. The Committee decision on admission of an auditing organization to the auditing organizations list or removal of an auditing organization from the mentioned list based on reasons, specified in item 42 of these Regulations or transfer of an auditing organization from a higher level to a lower level of the list of auditing organizations requirements comes into force on the next day after its making, unless otherwise specified by the Committee when making this decision (*this paragraph was changed by the Exchange Council decision of March 11, 2014*).
- Respective information messages are published on KASE website (*this paragraph was changed by the Exchange Council decisions of October 6, 2011 and March 11, 2014*).
46. During presence in the auditing organizations list the auditing organization for purposes of confirmation of its compliance with qualification requirements not later than January 20 and June 20 of each year must submit to the Exchange:
    - 1) (if the auditing organization is in the list of auditing organizations by the first level) notarized copies of any of international certificates and/or licenses issued to at least three auditors by the Associate Chartered Accountant (ACA), Chartered Institute of Management Accountants (CIMA), Certified Public Accountant (CPA), of the Association of Chartered Certified Accountants (ACCA), qualifying certificates or other documents, similar in their purpose, as well as documents certifying those auditors' status of practicing specialists in compliance with the legislation of the country of origin of the certificate and/or license, or with the rules of the organization that issued the certificate and/or license, and a copy of the document (copies of documents) certifying that those auditors are employees of that auditing organization;
    - 2) (if the auditing organization is in the list of auditing organizations by the second level) notarized copies of any of international certificates and/or licenses issued to at least two



auditors by the Associate Chartered Accountant (ACA), Chartered Institute of Management Accountants (CIMA), Certified Public Accountant (CPA), of the Association of Chartered Certified Accountants (ACCA), qualifying certificates or other documents, similar in their purpose, as well as documents certifying those auditors' status of practicing specialists in compliance with the legislation of the country of origin of the certificate and/or license, or with the rules of the organization that issued the certificate and/or license, and a copy of the document (copies of documents) certifying that those auditors are employees of that auditing organization.

*(This item was changed by the Exchange Board of Directors decision of July 29, 2015).*

46-1. During presence in the auditing organizations list must submit to the Exchange within five working days from the date of expiry copies of the following documents, drawn up in accordance with requirements of item 33 of these Regulations:

- 1) (if the auditing organization is a resident on Republic of Kazakhstan and is in the list of auditing organizations by the first level) a copy of the conclusion of the professional auditing organization, accredited by an authorized government body on auditing activities, attesting unconditional observance (with mark "excellent") or with some faults (with mark "good") by this auditing organization of international auditing standards and the Code of Ethics of International Federation of Accountants based on results of an external quality control;
- 2) (if the auditing organization is a non-resident on Republic of Kazakhstan and is in the list of auditing organizations by the first level) a copy of the conclusion of the professional auditing organization-member of International Federation of Accountants, or a conclusion of an authorized government body of the state where this auditing organization is resident, attesting unconditional observance (with mark "excellent") by this auditing organization of international auditing standards and the Code of Ethics of International Federation of Accountants based on results of an external quality control;
- 3) (if the auditing organization is a resident on Republic of Kazakhstan and is in the list of auditing organizations by the second level) a copy of the conclusion of the professional auditing organization, accredited by an authorized government body on auditing activities, attesting unconditional observance (with mark "excellent") or with some faults (with mark "good") by this auditing organization of international auditing standards and the Code of Ethics of International Federation of Accountants based on results of an external quality control;
- 4) (if the auditing organization is a non-resident on Republic of Kazakhstan and is in the list of auditing organizations by the second level) a copy of the conclusion of the professional auditing organization-member of International Federation of Accountants, or a conclusion of an authorized government body of the state where this auditing organization is resident, attesting unconditional observance (with mark "excellent") or with some faults (with mark "good") by this auditing organization of international auditing standards and the Code of Ethics of International Federation of Accountants based on results of an external quality control;
- 5) agreement on insurance of civic-legal liability of the auditing organization.

*(This item was included by the Exchange Board of Directors decision of July 29, 2015).*

47. In case of a change in an auditing organization name, its legal and/or actual address (location) and/or the contact telephone (fax) number, an auditing organization during three working days must notify the Exchange on such changes and attach appropriate documents attesting such changes.

### **Chapter 3. THE COMMITTEE ADDITIONAL FUNCTIONS**

48. The data base on auditing organizations, admitted to the auditing organizations list or intended to be admitted to this list is formed, maintained and kept by the Listing Department based on documents (information), officially submitted to the Exchange (the Committee, the Listing

Department) by auditing organizations, accredited by professional auditing organizations, the Committee members, members of the Listing Commission and the Board of Directors, government bodies, securities issuers and other organizations and persons, as well as based on the information on results of implementation by the Committee of functions, specified in item 4 of these Regulations (*this item was supplemented by the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015*).

49. Originals of all documents developed by the Committee based on results of implementation by the Committee of functions in compliance with item 4 of these Regulations, and documents, submitted by auditing organizations in compliance with item 32 of these Regulations, are kept in the Listing Department (*this item was supplemented by the Exchange Council decision of March 11, 2014 and changed by a decision of the Exchange Board of Directors of July 29, 2015*).
50. The order of implementation by the Committee of additional functions is defined by the Committee independently in compliance with the applicable legislation and Exchange internal documents.

### **Section 5. FINAL PROVISIONS**

51. The Committee must observe set forth by the legislation and other Exchange internal documents requirements for the order of the Committee performance.
52. If the Committee members violate or inappropriately carry out duties, defined by these Regulations, the Board of Directors is entitled to impose the following sanctions (*this paragraph was changed by a decision of the Exchange Board of Directors*):
  - 1) to make a remark on negligent execution of duties and notify on termination of authorities in case of detection of repeated breach of the Committee member duties;
  - 2) to terminate authorities of the Committee Chairman, member or replacing them persons.

President

K. Damitov