

# KAZAKHSTAN STOCK EXCHANGE

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## **Agreed upon**

with the National Bank of  
the Republic of Kazakhstan  
on November 29, 2018

Deputy Chairman of  
the National Bank  
of the Republic of Kazakhstan

## **Approved**

by a decision of the Board of Directors  
of Kazakhstan Stock Exchange JSC  
(minutes No. 33 of the  
meeting on November 7, 2018)

## **Effective**

as of November 30, 2018

### **NOTICE**

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 concluding deals in government securities according to the T+2 scheme**

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Almaty

2018

This Procedure has been developed in accordance with laws of the Republic of Kazakhstan and defines the terms and procedure of carrying out deals in government securities (hereinafter – the GS) under scheme T+2<sup>1</sup> (hereinafter – procedure T+2) in the trading system of Kazakhstan Stock Exchange JSC (hereinafter – the Exchange), which are traded and settled in the tenge.

**Article 1. Main concepts and terms**

1. This Procedure contains concepts and terms defined by laws of the Republic of Kazakhstan and other internal documents of the Exchange.
2. For purposes of this Procedure:
  - 1) GS mean government treasury obligations of the Republic of Kazakhstan and notes of the National Bank of the Republic of Kazakhstan (hereinafter – NBRK);
  - 2) the responsible trading participant means a trading participant who failed to fulfill his obligations under the deal he concluded;
  - 3) the responsible trading participant means a trading participant, who concluded a deal, but on whose part the deal was not confirmed by the confirmation system user;
  - 4) a position means an amount of money (monetary position) or a quantity of securities (position on securities), accounted for in trading accounts of the trading participant (and/or his clients) in the trading system of the Exchange;
  - 5) the affected trading participant is a trading participant that concluded a deal but whose deal was not executed following the responsible trading participant's failure to fulfill his obligations under that deal.

**Article 2. General provisions on procedure T+2**

1. The day of deals' conclusion is the trading day T.  
The day of reconciliation of concluded deals is the trading day T+1.  
The days of settlement of deals is the day T+2.
2. To be able to carry out the settlement of deals in GS according to scheme T+2 the trading participant must have accounts at the Central Depository, with their description given in the Exchange's internal document "Regulations on Settlements on Securities Transactions under T+0 Scheme with Full Backing (Gross Settlements)".
3. The settlement of deals is carried out separately on each deal based on the principle "delivery against payment".
4. The Central Depository carries out the settlement of deals in accordance with its rules.  
  
If norms of this Procedure related to execution of settlements or other procedures carried out by the Central Depository, contradict the set of rules of the Central Depository, norms of the set of rules of the Central Depository have priority.

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<sup>1</sup> The commonplace specification of deadlines of settlement of exchange deals (execution of exchange deals) in form of the notation "T+n", where T – the exchange trading day, on which the deals was concluded, and n – the timespan in business days between the deal conclusion day and the day of settlement of that deal.

**Article 3. Submitting of orders and conclusion of deals**

1. If the trading in GS is carried out in clean prices, then at submission of orders for purchase-sale on such GS the trading system will automatically carry out the calculation of yield taking into account the accrued interest on the day T+2.
2. At submission of orders for purchase-sale of GS and at the moment of conclusion of deals in them the trading system doesn't check the security.
3. The Exchange doesn't carry out netting nor clearing on deals in GS concluded according to scheme T+2.
4. Information on deals concluded is stored in the trading system until the end of the day T+2.
5. Trading participants pay commission fees on deals in the amount and according to the procedure specified in the Exchange's internal document "Regulations on Membership Fees and Exchange Dues".

**Article 4. Reconciliation of deal concluded**

1. If the seller/buyer has comments on the trading account involved in the deal, he should no later than 15:00 o'clock (Almaty time) of the day T+1 provide the Exchange with corrections regarding the change of the trading account involved in the deal by means of a message in the trading system.
2. At receipt of the message mentioned in item 1 of this article, the Exchange will make necessary changes in the trading system.

**Article 5. Confirmation of deals concluded**

1. The user of the confirmation system must send a confirmation of the GS purchase-sale deal to the trading system until 15:00 o'clock, Almaty time, of the day T+1.
2. In case the user of the confirmation system didn't confirm the deal, the responsible trading participant must until 16:00 of the day T+1 notify the Exchange of his intention to execute such deal on his own or refuse to execute that deal.
3. If the responsible trading participant is ready to execute the deal, the Exchange shall by the end of the day T+1 change the account of the confirmation system user to own account of that participant.

**Article 6. Execution of the settlement of deals**

1. From 13:00 o'clock, Almaty time, of the day T+2 the trading system shall automatically check the availability of security on each particular deal and generate instructions for execution of the settlement of GS purchase-sale deals.
2. In case of the positive results of the check conducted in accordance with item 1 of this article, the trading system will automatically execute the following operations:
  - 1) blocks the necessary security on positions in the trading system;
  - 2) sends settlement instructions to the Central Depository separately on each deal in the order of their registration in the trading system.
3. Upon execution of the settlement the Central Depository sends an information message on execution of such settlement for each instruction to the trading

system. Consequently, values of positions of trading participants are changed in the trading system.

4. In case of the negative result of the deal's security check on part of the buyer/seller, conducted in accordance with item 1 of this article, that buyer/seller shall until 14:00 o'clock, Almaty time, of the day T+2 rectify the reason for the negative result of the check or notify of its termination.

In case the buyer didn't rectify the reason for the negative result of the check until 14:00 o'clock, Almaty time, of the day T+2, or the Exchange received from him a notice of the deal termination, the deal is executed in accordance with article 7 of this procedure.

5. In case the Central Depository refused to execute the settlement of the deal, a repeated settlement of the deal is possible after rectification of the reasons for such refusal until 15:00 o'clock, Almaty time, of the day T+2, with mutual consent of its parties and after the receipt by the Exchange of messages about the readiness to execute the settlement. Such messages must be sent by either party of that deal to the trading system.

#### **Article 7. Execution of a deal on account of the NBRK**

1. In case of occurrence of the event mentioned in the second paragraph of item 4 of article 6 of this Procedure (in case of absence of funds in the buyer's account on the value date of the deal on the secondary market) and if the deal's price deviates by up to 5 % (inclusive) from the GS's market valuation, the deal can be executed by the NBRK on its own account, instead of the buyer, taking into account requirements of items 2–3 of this article.
2. In cases provided for in item 1 of this article, for execution of the deal by the NBRK the Exchange sends an inquiry to it about the possibility of execution of that deal by the NBRK.
3. In case of the NBRK's consent to execute the deal, the NBRK shall send no later than 16:30 o'clock, Almaty time, of the day T+2, a notice of such consent to the Exchange, whereupon the Exchange shall change the account of the trading participant being the buyer who failed to execute his obligation on the deal, to the NBRK's own account. The deal is executed in accordance with items 1–3 of article 6 of this Procedure. Following the results of the trades the Exchange shall generate the exchange certificate of that deal and provide it to the NBRK.

#### **Article 8. Responsibility for failure to execute deals**

1. A deal is considered as terminated in accordance with requirements of this Procedure, also if:
  - 1) in accordance with requirements of item 3 of article 5 of this Procedure, if the responsible participant is not ready to execute the deal, or the Exchange has not received from him a notice of intention to execute such deal on his own;
  - 2) in accordance with requirements of the first paragraph of item 4 of article 6 of this Procedure, the seller failed to rectify the reason for the negative result of the deal's security check or the Exchange received from him the notice of termination of the deal;
  - 3) the deal was not executed until the end of the operation day T+2, also due to:
    - a deviation of the deal's price by more than 5 % from the GS's market valuation;
    - the NBRK's reluctance to execute the deal, whose price deviates by up to 5 % (inclusive) from the GS's market valuation.

2. The responsible trading participant must pay a penalty of 5 % of the amount of the terminated deal to the affected trading participant.
3. In case the check of the deal's security according to item 1 of article 6 of this Procedure discloses that the security is insufficient, the responsible participant must pay a penalty in the amount of the 50-fold monthly calculation index in favor of the Exchange.
4. If the deal was executed on account of the NBRK according to article 7 of this Procedure, the responsible participant must pay a penalty of 5 % of the amount of the failed deal in favor of the NBRK.
5. In case of repeated settlement of the failed deal, a penalty in the amount of the 50-fold monthly calculation index in favor of the Exchange is applied to the responsible trading participant.
6. Penalties provided for in items 3 and 5 of this article are not applied to the NBRK and market-makers.
7. In accordance with article 11 of the Regulations on Membership, following a decision of the Management Board, a member of the Exchange can be suspended from participation in trading in all or particular financial instruments due to failure to execute and/or improper execution of obligations on deals concluded and/or incomplete payment of the penalty calculated in accordance with internal documents of the Exchange for failure and/or improper execution of obligations on deals.

**Article 9. Procedure of penalty payment**

1. At termination of a deal the responsible trading participant must pay to the Exchange the full amount of commission fees on the failed deal calculated for both parties of the deal, in accordance with terms specified in the Exchange's internal documents, and without any preferences on payment of commission fees of the Exchange.
2. The Exchange, no later than the second business day following the day of the deal termination, shall notify the responsible trading participant of the necessity to pay the penalty and present the invoice for payment.
3. The responsible trading participant transfers the penalty amount to the Exchange's correspondent account at the NBRK no later than the fifth business day following the day of receipt of the notice mentioned in item 2 of this article.
4. The Exchange transfers this amount to the NBRK or the affected trading participant according to bank details provided by the NBRK or the affected trading participant, within two business days following the day of arrival of the penalty amount to its correspondent account according to item 3 of this article.
5. The procedure of consideration of disputes over issues of penalty payment arising in the course of conclusion of deals in financial instruments is provided for in a separate internal document of the Exchange "The Procedure of Settling Disputes and Conflicts Emerging During Execution of Transactions in Financial Instruments"<sup>2</sup>.

**Article 10. Final provisions**

1. This Procedure is subject to publication on the Exchange's website.
2. The responsibility for the timely updating of this Procedure is the obligation of the structural unit in charge of the trading operation.

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<sup>2</sup> Approved by a decision of the Exchange Council (meeting minutes No. 10 dated May 28, 2012).

3. This Procedure is subject to updating upon necessity, but at least once every three years.

Chairperson of the Management Board

A. Aldambergen