

KAZAKHSTAN STOCK EXCHANGE JSC

A p p r o v e d

by decision of Kazakhstan Stock Exchange
JSC Management Board
(meeting minutes No. 127
of December 22, 2016)

Effective as of

December 26, 2016

NOTICE

The Regulations have been translated into English by employees of Kazakhstan Stock Exchange solely for information purposes. In case of any discrepancies between the Russian and the English versions of the Regulations the Russian version shall prevail.

PROCEDURE

**for changing variance thresholds on
Exchange-cleared financial instruments' prices**

A M E N D M E N T S

1. Amendment No. 1:

- approved by decision of Kazakhstan Stock Exchange JSC Management Board (meeting minutes No. 33 of April 10, 2017);
- effective as of April 10, 2017.

This Procedure was developed in accordance with the legislation of the Republic of Kazakhstan and internal documents of Kazakhstan Stock Exchange JSC (Exchange) and contains a description of the procedure to change the variance thresholds on the Exchange-cleared financial instruments' prices.

1. The terms used in this Procedure are identical to those defined by the legislation of the Republic of Kazakhstan and other internal documents of the Exchange.
2. In the course of trading, the Exchange's trading system in accordance with its settings shall record the moment when the best prices of orders for the purchase or sale of financial instruments reach the variance thresholds on prices established for these financial instruments in the manner determined by the regulations on clearing system operation and the rules of executing clearing activities on deals in financial instruments.
3. If the best order price for the purchase (sale) of financial instruments within 15 minutes is less than 10% of the upper (lower) variance threshold on this financial instrument's price, the following procedures shall be performed:
 - 1) the trading division shall notify the trading participants via the trading system messages that the procedures to change the variance threshold on this financial instrument's price are to be undertaken;
 - 2) the trading and clearing systems of the Exchange shall calculate the new value of the upper (lower) variance threshold on this financial instrument's price in accordance with clauses 7 and 9 (clauses 8 and 9) of this Procedure, taking into account the specifics specified in clauses 4, 5 and 6 of this Procedure;
 - 3) the trading division shall notify the trading participants via the trading system messages of the changes indicated in clauses 4, 5 and 6 of this Procedure.
4. A change in the upper (lower) price variance threshold shall not lead to a simultaneous change in the lower (upper) threshold.
5. A change in the upper or lower variance threshold on a financial instrument's price shall lead to an automatic change in the rate of the variance threshold on this financial instrument's price effective as of the beginning of a trading day on which a price variance threshold changed.

The rate of the price variance threshold specified in the first paragraph of this clause shall be changed using the formulas from clauses 11 and 12 of this Procedure.
6. A change in the rate of the variance threshold on a financial instrument's price shall lead to an automatic change in the initial margin rate for this financial instrument.
7. The upper variance threshold on a financial instrument's price shall be calculated according to the formula:

$$L_H = P \times (1 + L_R/100) + \Delta, \text{ where:}$$

- L_H – upper variance threshold on a financial instrument's price, KZT;
- P – estimated price of a financial instrument as of the morning of a trading day, KZT;
- L_R – rate of the variance threshold on a financial instrument's price as of the beginning of a trading day, %;
- Δ – upper price variance threshold variation value calculated according to clause 9 of this Procedure.

8. The lower variance threshold on a financial instrument's price shall be calculated according to the formula:

$$L_L = P \times (1 - L_R / 100) - \Delta, \text{ where:}$$

- L_L – lower variance threshold on a financial instrument's price, KZT;
 P – estimated price of a financial instrument as of the morning of a trading day, KZT;
 L_R – rate of the variance threshold on a financial instrument's price as of the beginning of a trading day, %;
 Δ – lower price variance threshold variation value calculated according to clause 9 of this Procedure.

9. The upper or lower price variance threshold variation value shall be calculated according to the formula:

$$\Delta = (L_H - L_L) \times \text{shift}, \text{ where:}$$

- L_H – upper variance threshold on a financial instrument's price;
 L_L – lower variance threshold on a financial instrument's price;
shift – coefficient that determines the size of the threshold shift of 0.25.

10. The initial margin rate of a financial instrument shall be calculated according to the formula:

$$S = L_N + L_R, \text{ where:}$$

- S – initial margin rate of a financial instrument, %;
 L_N – rate of the variance threshold on a financial instrument's price calculated according to clauses 11 or 12 of this Procedure depending on whether the upper (L_H) or lower (L_L) price variance threshold changed.

11. Should the upper variance threshold on a financial instrument's price change, the new rate of the variance threshold on this financial instrument's price shall be calculated according to the formula:

$$L_N = \frac{100 \times (L_H - P)}{P}, \text{ where:}$$

- L_H – upper variance threshold on a financial instrument's price, KZT;
 L_N – rate of the variance threshold on a financial instrument's price;
 P – estimated price of a financial instrument as of the morning of a trading day, KZT.

12. Should the lower variance threshold on a financial instrument's price change, the new rate of the variance threshold on this financial instrument's price shall be calculated according to the formula:

$$L_N = \frac{100 \times (P - L_L)}{P}, \text{ where:}$$

- L_L – lower variance threshold on a financial instrument's price, KZT;
 L_N – rate of the variance threshold on a financial instrument's price;
 P – estimated price of a financial instrument as of the morning of a trading day, KZT.

13. A change in the variance threshold on a financial instrument's price shall result in a single threshold being recalculated for those trading accounts used to submit orders and make transactions in this financial instrument.

The single threshold shall be recalculated according to the rules of executing clearing activities on deals in financial instruments.

14. The higher initial margin rate of a financial instrument may raise the clearing members' margin requirement, therefore depending on a clearing session results these clearing members may receive a demand for an extra margin to be added.
15. The clearing division shall lay down a demand for an extra margin to be added and monitor the fulfillment thereof according to the rules of executing clearing activities on deals in financial instruments.
16. The variance threshold on a certain financial instrument's price may change three times at the most during one trading day on which this financial instrument is traded.
17. The new rate values of the price variance threshold and a financial instrument's initial margin rates shall be valid until the end of a trading day on which these changes occurred.

The new values of the rates specified in the first paragraph of this clause shall be published by information and statistics division on the main page of the Exchange's website.
18. Should the prices of financial instruments demonstrate a high volatility, the Exchange's Indexes and Securities Valuation Committee shall be entitled to change the effective values of values of the price variance threshold rates and financial instruments' initial margins.

(this clause was amended according to the Exchange's Management Board decision dated April 10, 2017).

Chairwoman of the Management Board

A. Aldambergen