

KAZAKHSTAN STOCK EXCHANGE JSC

Agreed upon

with the National Bank of
Republic of Kazakhstan

on June 26, 2015

Deputy Chairman of Management
Board of National Bank of
Republic of Kazakhstan

Approved

by decision of Kazakhstan Stock Exchange
JSC Board of Directors

(meeting minutes No. 43
of December 11, 2014)

Effective as of

June 1, 2015

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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 execution of deals on the stock market according to scheme T+2

Almaty

2014

LIST OF AMENDMENTS

1. Amendments No. 1:

- agreed upon with the National Bank of Republic of Kazakhstan on June 26, 2015;
- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 2 of February 11, 2015);
- effective as of June 1, 2015.

2. Amendments No. 2:

- agreed upon with the National Bank of Republic of Kazakhstan on July 14, 2015;
- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 10 of May 19, 2015);
- effective as of June 1, 2015.

3. Amendments No. 3:

- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 26 of November 12, 2015);
- effective as of November 13, 2015.

4. Amendments No. 4:

- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 22 of August 31, 2016);
- effective as of October 1, 2016.

5. Amendments No. 5:

- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (meeting minutes No. 40 of December 9, 2016);
- effective as of February 6, 2017.

This Procedure has been developed in accordance with the legislation of Republic of Kazakhstan and charter of the Kazakhstan Stock Exchange JSC (hereinafter – the Exchange) and determines the terms and procedure of execution of deals on the stock market of the Exchange according to scheme T+2¹ (hereinafter – procedure T+2).

Article 1. Main definitions and terms

1. This Procedure contains definitions and terms defined by the legislation of the Republic of Kazakhstan and other internal documents of the Exchange:
2. Definition "order collateral", "collateral", or "marginal collateral" used in this Procedure, means financial instruments (money or securities) available to a trading participant or his client in accounts at Central Securities Depository designated for securing the fulfillment of obligations of that trading participant or his client emerging as a result of submitting orders and concluding deals on the Exchange-based trades and whose use is limited by the Exchange for that purpose (*this item was changed by a decision of the Exchange's Board of Directors dated December 9, 2016*).
3. For purposes of this Procedure:
 - 1) deals mean deals in financial instruments included in the list of financial instruments of the stock market, deals in which are cleared by the exchange, approved by the Exchange's Management Board, to which procedure T+2 is applied (*this sub-item was changed by a decision of the Exchange's Board of Directors dated December 9, 2016*);
 - 2) orders mean orders for concluding deals in financial instruments included in the list of financial instruments of the stock market, deals in which are cleared by the exchange, approved by the Exchange's Management Board, to which procedure T+2 is applied (*this sub-item was changed by a decision of the Exchange's Board of Directors dated December 9, 2016*);
 - 3) the order amount means its amount in money terms;
 - 4) the order size means its volume in pieces of securities;
 - 5) an account administrator is the custodian – user of the Confirmation system providing to its clients (members of the Exchange) the right to execute deals on trade and money accounts controlled by that custodian (*this sub-item was supplemented by the decision of the Exchange Council of February 11, 2015*);
 - 6) the internal document on clearing means the Exchange's internal document "Rules of executing clearing activities on deals in financial instruments"²;
 - 7) the internal document on clearing participants means the Exchange's internal document "Regulations on clearing participants"³ (*this sub-item was amended by the decision of the Exchange Board of Directors of August 31, 2016*).
 - 8) the Central Depository means Central Securities Depository JSC (*this sub-item was added by the decision of the Exchange Board of Directors of August 31, 2016*).

¹ Generally accepted designation of execution terms on exchange-based transactions (execution of exchange-based transactions) in form of entry "T+n", where T – day of exchange-based trades, on which the deal was concluded, and n – term in working days between the deal conclusion day and the day of execution of settlement on that deal.

² Approved by a decision of the Exchange's Board of Directors (meeting minutes No. 7 of April 8, 2015) (*this footnote was included by a decision of the Exchange's Board of Directors of May 19, 2015*).

³ Approved by a decision of the Exchange's Board of Directors (meeting minutes No. 7 of April 8, 2015) (*this footnote was included by a decision of the Exchange's Board of Directors of May 19, 2015*).

4. Terms defined by this Procedure can also be used in other internal documents of the Exchange, office documents and correspondence of the Exchange and market data.

(This article was changed and supplemented by a decision of the Exchange Council of February 11, 2015 and changed by a decision of the Exchange Board of Directors of May 19, 2015).

Article 2. General provisions on procedure T+2

1. Procedure T+2 is based on the following key approaches *(this paragraph was changed by a decision of the Exchange Board of Directors of November 12, 2015)*:
 - 1) procedure T+2 is applied to deals on which the Exchange conducts clearing in accordance with the internal document on clearing;
 - 2) only those members of the Exchange may conclude deals who have the current status of clearing participant in accordance with the internal document on clearing;
 - 3) orders for conclusion of deals must be secured in accordance with article 2-1 of this Procedure;
 - 4) settlements on deals not related to repo transactions are executed on the second working day after the day of conclusion of those deals; settlements on deals related to repo transactions are executed in accordance with terms of those transactions in compliance with the Exchange's internal document "Rules of repo transactions execution"⁴;
 - 5) for execution of settlements on deals the current (bank) accounts and sub-accounts (individual) accounts of trading participants opened in the Central Depository are used (hereinafter, separately – current account or sub-account) *(this sub-item was changed by a decision of the Exchange's Board of Directors dated December 9, 2016)*;
 - 6) deals and everything related thereto is subject to the internal document on clearing.
2. The National Bank of Republic of Kazakhstan which is the central bank of the Republic of Kazakhstan representing the upper (first) level of the banking system and executing the state regulation of the securities market is not subject to norms of this Procedure with regard to securing orders and deals, as well as payment of guaranty fees *(this item was included by a decision of the Exchange Board of Directors of November 12, 2015 and changed by a decision of the Exchange's Board of Directors dated December 9, 2016)*.

(This article was changed by a decision of the Exchange Council of February 11, 2015 and a decision of the Exchange Board of Directors of May 19, 2015).

Article 2-1. Requirements for orders securing

1. The Exchange's trading system accepts orders only provided there is sufficient marginal collateral on them, with the exception specified in item 2 of article 2 of this Procedure.
2. The sufficiency of marginal collateral is measured with the single limit – the unit determined and calculated according to the terms and procedure specified in the internal document on clearing.
3. The collateral is considered sufficient for submission of an order to the exchange's trading system, if the single limit has a positive value.

⁴ Approved by a decision of the Exchange Council of Directors (meeting minutes No. 4 of February 29, 2012) *(this footnote was included by a decision of the Exchange's Board of Directors of May 19, 2015)*.

4. Orders' collateral can be represented by money and/or securities of any titles circulating in the exchange's trading system, taking into account particular aspects specified in the internal document on clearing.
5. Financial instruments (money and/or securities), used as collateral for orders or transactions are restricted by the Exchange in use, taking into account particulars specified in items 6–9 of article 6 of this Procedure, whereas:
 - 1) in the Central Securities Depository the collateral in form of money is registered in current accounts of trading participants, and the collateral in form of securities – in sub-accounts of trading participants;
 - 2) in the Exchange's trading system the collateral in the current account of a trading participant is reflected as collateral in the money account of that trading participant, and the collateral in the sub-account of a trading participant – as collateral in the trading account of that trading participant;
 - 3) management of collateral in the current account of a trading participant is carried out via the money account of that trading participant in the Exchange' trading system, and management of collateral in the sub-account of a trading participant, is carried out via the trading account of that trading participant in the Exchange's trading system.

(This article was included by a decision of the Exchange Board of Directors of May 19, 2015 and changed by a decision of the Exchange's Board of Directors dated December 9, 2016).

Article 3. Procedure of execution of pre-trade procedures

1. Daily, not later than 10:15 o'clock (Almaty time) of each trading day data calculated by the Exchange's clearing system arrive in the Exchange's trading system in accordance with the internal document on clearing *(this paragraph was changed by a decision of the Exchange Board of Directors of May 19, 2015)*:
 - 1) in terms of securities of each title included in the list of financial instruments accepted by the Exchange for clearing service, – on their settlement prices, on limits of change in their price and rates of initial margin thereon *(this sub-item was changed by the decision of the Exchange Council of February 11, 2015 and a decision of the Exchange's Board of Directors dated December 9, 2016)*;
 - 2) in terms of each trade (money) account – on values of the single limit, the position on that account and requirements for supplementing the collateral in case of its insufficiency *(this sub-item was changed by the decision of the Exchange Council of February 11, 2015 and a decision of the Exchange's Board of Directors dated December 9, 2016)*.
2. Daily, not later than 09:30 o'clock (Almaty time) of each trading day the Exchange by means of its trading system shall send to the Central Depository the order on provision of data on cash and securities balance of trading participants available in their current accounts and sub-accounts in the Central Depository (hereinafter – data on balances) *(this item was changed by the decision of the Exchange's Board of Directors dated December 9, 2016)*.
3. The Central Depository upon receipt from the Exchange of an instruction no transfer of data on balances, but not later than 10:00 o'clock (Almaty time) prepares and transfers data on balances to the Exchange's trading system.
- 3-1. The Exchange, through its trading system on the basis of the data received from the Central Depository, within 30 days before the expiry date of a document certifying the Exchange member's client identity, shall block the ability to conclude transactions via the client trading account *(this item was added by the decision of the Exchange Board of Directors of August 31, 2016)*.
4. The Exchange by means of its trading system according to data received from the Central Depository indicated in item 3 of this article shall set on trades

participants' accounts in automated mode values of the following entry positions on trade (money) accounts of trading participants and account administrators:

- 1) own money position of each trading participant;
 - 2) own and client position on securities of each title of each trading participant;
 - 3) client (aggregated) money position of each trading participant talking into account the details specified in item 5 of this article.
5. A trading participant or account administrator upon receipt by means of the Exchange trading system of data on the client (aggregated) money position shall set in the Exchange trading system for each of its clients the value of its entry (segregated) money position. At that these values are set only for those clients for whom it is necessary to ensure the possibility of submitting orders (*this paragraph was changed by the decision of the Exchange Council of February 11, 2015*).

In case money positions are set not for all clients, the trading participant indicated in paragraph one of this item shall provide to the Exchange throughout the trading day additional data according to sub-item 3) of item 1 of article 6 of this Procedure.

6. The Exchange by means of the trading system shall immediately and in automated mode transfer to the clearing system data and values indicated in items 4 and 5 of this article.

Article 4. Checking the submitted order and its acceptance

1. The Exchange's trading system shall in automated mode check each submitted order:
 - 1) as for compliance with the requirement specified in item 1 of article 2-1 of this Procedure (*this sub-item was changed by the decision of the Exchange's Board of Directors dated December 9, 2016*);
 - 2) as for observance of the specified price change limits.
2. In case of a negative result of a check conducted in accordance with item 1 of this article, the trading system shall reject (not accept) the order.

Repeated orders submitted instead of those rejected by the trading system, are also subject to checking in accordance with item 1 of this article.
3. In case of a positive result of a check conducted in accordance with item 1 of this article, the Exchange's trading system shall accept the order and shall carry out the following actions in the automated mode:
 - 1) re-calculate the value of the single limit taking into account said order in the manner specified in the internal document on clearing (*this sub-item was changed by the decision of the Exchange's Board of Directors dated December 9, 2016*);
 - 2) change the value of the planned position of the trading participant who submitted that order, by the size of that order in accordance with the rule "an order for purchase of securities increases a long planned position, an order for selling of securities increases a short planned position".
4. At the moment of the end of a trading session unexecuted orders shall automatically be annulled by the Exchange's trading system in accordance with article 2 of the Exchange's internal document "Regulations on trading methods"⁵; whereas:

⁵ Approved by a decision of the Exchange Council (meeting minutes No. 49 of December 29, 2014) (*this footnote was included by a decision of the Exchange's Board of Directors of May 19, 2015*).

- 1) re-calculate the value of the single limit in the manner specified in the internal document on clearing (*this sub-item was changed by the decision of the Exchange's Board of Directors dated December 9, 2016*);
- 2) with the beginning of a new trading session:
orders whose validity has not expired yet, are subject to a repeated check in accordance with item 1 of this article (*this sub-item was changed by the decision of the Exchange's Board of Directors dated December 9, 2016*);
(*this paragraph was changed by the decision of the Exchange's Board of Directors dated December 9, 2016*).

(*This article was changed and supplemented by a decision of the Exchange Council of February 11, 2015 and changed by a decision of the Exchange's Board of Directors of May 19, 2015*).

Article 5. Conclusion of a deal

1. At conclusion of a deal in the Exchange's trading system in the automated mode on the trade (money) account using which that deal was concluded:
 - 1) an open position on a particular title of security is set up;
 - 2) values of the current and planned position, as well as the value of the single limit, change. At that the current position reflects the position with values of money or securities taking into account liabilities and claims on concluded deals at the current moment of the trading day (*this sub-item was supplemented by the decision of the Exchange's Board of Directors dated December 9, 2016*).
2. The buyer (seller) on the deal closes the open position on his trade (money) account by means of executing liabilities on the concluded deal during conducting of settlements according to procedure T+2 or by way of concluding a deal opposite to the open position.
3. Data on deals concluded during the trading day are transferred from the Exchange's trading system into the clearing system in automated mode after the end of trades.
4. The Exchange upon the trades shall provide to trading participants and account administrators exchange certificates containing data on deals concluded.

Article 6. Procedures carried out during the trades

1. Throughout the trading day upon need:
 - 1) The Central Depository transfers to the Exchange trading system data on balances on terms and according to the procedure specified in item 2 of this article;
 - 2) the trading participant or trade administrator sets data on values of incoming client money positions and/or positions on securities;
 - 3) the Exchange recalculates and sets in its trading rates for the limits of financial instruments' price changes, system margin fees rates and values of net positions on trading accounts. At that such recalculation and setting of values of net positions and the single limit on trading accounts are carried out after each deal concluded in the Exchange trading system (*this sub-item was supplemented by the decision of the Exchange's Board of Directors dated December 9, 2016*);
 - 4) in automated mode values of planned positions change after each order submitted to the Exchange's trading system.

(*This item was changed by the decision of the Exchange Council of February 11, 2015*).

2. Data on balances indicated in sub-item 1) of item 1 of this article are prepared by the Central Depository in case of assignment to the sub-account or current account of the trading participant of the special mark "trading participant's account" or withdrawal of that mark (*this item was changed by the decision of the Exchange Council of February 11, 2015 and by the decision of the Exchange's Board of Directors dated December 9, 2016*).
3. Changes in rates of limits for financial instruments' price changes and initial margin rates calculated according to the procedure defined by the internal document on clearing are conducted in accordance with the procedure of changing the thresholds of limits for changes in prices of financial instruments, deals in which are cleared by the Exchange, approved by the Exchange's Management Board (*this item was changed by the decision of the Exchange Council of February 11, 2015 and a decision of the Exchange's Board of Directors of May 19, 2015 and December 9, 2016*).
4. (*This item was excluded by the decision of the Exchange Council of February 11, 2015*).
5. Throughout the trading day the Central Depository provides to the Exchange with:
 - 1) request for writing off money (securities) – based on the trading participant's order for registration of the deal on the over-the-counter market or based that trading participant's instruction for writing off money (securities);
 - 2) notice of writing off money (securities) – in case of executing writing off of money (securities) (based on the fact of writing off), suspension of expense transactions or arrest of money (securities) based on decisions of investigation authorities and/or court.

(This item was changed by the decision of the Exchange Council of February 11, 2015).

6. The Exchange upon the request for the writing-off of money (securities) provided by the Central Depository, carries out a check of the money position (position on securities) of the trading participant based on account details indicated in the request for compliance with requirements for:
 - 1) the sufficiency of the marginal collateral, measured with the single limit, on own money (trade) account for execution by that trading participant of net liabilities following from orders he submitted and deals concluded (*this sub-item was changed by the decision of the Exchange's Board of Directors of December 9, 2016*);
 - 2) the absence of unexecuted liabilities associated with that trading participant.

(This item was changed by the decision of the Exchange Council of February 11, 2015).

7. In case results of the check indicated in item 6 of this article, are negative, the Exchange refuses the execution of the writing-off request.

In case results of the check indicated in item 6 of this article are positive the Exchange executes the writing-off request.

(This item was changed by the decision of the Exchange Council of February 11, 2015).

8. The message on execution (non-execution) of the writing-off request is sent by the Exchange to the Central Depository immediately after taking such decision.
9. The Exchange based on the notice of writing-off provided by the Central Depository carries out the following actions in the trading and clearing systems:
 - 1) changes the money position (position on securities) on the money (trade) account of the trading participant by the amount indicated in that notice (*this*

paragraph was changed by the decision of the Exchange Council of February 11, 2015).

Such change is carried out by way of reducing the incoming, current and/or planned own and/or client position;

- 2) annuls (removes) active orders submitted to the Exchange's trading system using the trade (money) account of the trading participant indicated in that notice (*this sub-item was changed by the decision of the Exchange's Board of Directors of December 9, 2016*);
- 3) re-calculates the single limit on the trading account indicated in the notice, according to the procedure specified in the internal document on clearing (*this sub-item was included by the decision of the Exchange's Board of Directors of December 9, 2016*).

Article 7. Reconciliation of deals concluded

1. Reconciliation of deals concluded is carried out during the clearing day T+1 until 15:00 o'clock (Almaty time) based on data contained in exchange certificates and reports on results of clearing sessions (hereinafter – certificates and/or reports). Reconciliation of deals concluded is carried out by account administrators by way of the Confirmation system and trading participants by way of the Exchange's trading system (*this sub-item was included by the decision of the Exchange's Board of Directors of December 9, 2016*).
2. Responsibility for fulfillment of obligations on deals on which the account administrator provided comments to the Exchange, and on which counterparties of those deals provided messages on their disagreement to their termination, rests with the trading participant that concluded such deal, on terms and according to the procedure specified in this Procedure.
3. In the course of reconciliation of deals concluded the following procedures are carried out:
 - 1) account administrators and trading participants provide to the Exchange, if available, comments on data contained in certificates and/or reports received by those persons;
 - 2) the Exchange on comments received shall carry out one or several of the following actions:
 - makes adjustments to certificates and/or reports;
 - generates adjusted certificates and/or reports;
 - provides trading participants with notices containing comments of the trade administrators.
4. A trading participant upon receipt of account manager's remarks notification but not later than 4:30 pm ALT on the day the notification was received shall provide the Exchange with
 - 1) amendments to the certificate and/or report; or
 - 2) a request to terminate the transaction closed. Thus, under the amendments shall mean changes in the account number.

The trading participant's failure to submit the amendments or request referred to in sub-clauses 1) and 2) of this clause to the Exchange, shall mean that this participant agrees to execute a transaction at its own expense, and in this case the account number shall change in an automated mode.

5. Upon receipt of the amendments referred to in sub-clause 1) of clause 4 of this article, the Exchange shall enter the amendments to the certificate and/or report and provide the relevant account managers with amended certificate

and/or reports (*this item was changed by the Exchange Board of Directors decision of February 11, 2015*).

6. Upon receipt of the request referred to in sub-clause 2) of clause 4 of this article, the Exchange provides the trading participant who is a counterparty to the transaction closed with a request for consent to terminate the transaction (*this item was changed by the Exchange Council decision of February 11, 2015*).
7. A trading participant upon receipt of the request referred to in clause 6 of this article but not later than the end of the current trading day shall provide the Exchange with (*this paragraph was amended by the Exchange Council decision of February 11, 2015*):
 - 1) a message of consent to terminate the transaction closed – in case of readiness to terminate the transaction closed in the manner prescribed this Procedure;
 - 2) a message of disagreement to terminate the transaction closed – in case of intention to execute the transaction.
8. The Exchange upon receipt of a message of consent to terminate the transaction closed shall cancel the transaction closed (hereinafter – cancelled transaction).

The Exchange upon receipt of a message of disagreement to terminate the transaction closed shall send to a trading participant, who submitted a request for termination of the transaction pursuant to sub-clause 2) of clause 4 of this article, a message on the need to perform the obligations under the transaction at their own expense in their own account (*this paragraph was amended by the Exchange Council decision of February 11, 2015*).
9. A trading participant upon receipt of the notice referred to in clause 8 of this article but not later than 10:00 am ALT of the day following the day on which this message was received shall perform the following steps (*this paragraph was amended by the Exchange Council decision of February 11, 2015*):
 - 1) change the number of the trading (cash) account using which the transaction was closed to the number of a personal trading (cash) account (in case of readiness to fulfill obligations using personal assets);
 - 2) change the number of the trading (cash) account using which the transaction was closed to the number of an account other than personal trading (cash) account.

Article 8. General clearing provisions

1. Clearing sessions on deals shall be performed in the manner prescribed by the Exchange's internal document "Regulations of Clearing System Operation"⁶ (*this item was amended by decisions of the Exchange Board of Directors of August 31, 2016 and December 9, 2016*).
2. For transactions closed in the trading day T:
 - 1) clearing days are trading days T, T+1 and T+2;
 - 2) settlement date is the trading day T+2.
3. Clearing on deals shall be performed using the method of multilateral netting⁷, except in cases specified by clause 4 of this article (*this item was amended by*

⁶ Approved by a decision of Management Board (meeting minutes No. 144 dated December 29, 2015) (*this footnote was included by a decision of the Exchange Board of Directors of December 9, 2016*).

⁷ The multilateral netting shall mean the netting as a result of which each trading participant has a single net position against all the participants due to the netting of claims (obligations) arising from transactions closed by this participant, with obligations (claims) arising from these transactions (*the numbering of this*

decisions of the Exchange Board of Directors of August 31, 2016 and December 9, 2016).

4. Securities transaction clearing without netting shall be performed in case the Exchange Management Board takes the decision to suspend the clearing with the use of multilateral netting, including in the event of periods of increased systemic, market and other risks.
5. Central Depository upon receipt of a settlement order shall perform settlements on the conditions and in the manner stipulated by Article 10 of this Procedure and Rules of Central Depository.
6. Opening and closing of the operational of the Exchange is carried out synchronically with the opening and closing of the operational day of the Central Securities Depository according to the procedure specified in item 4 of article 4-1 of the Exchange's internal document "Regulations on Trades and Confirmation System Operation"⁸ *(this item was amended by a decision of the Exchange Council of February 11, 2015 and a decision of the Exchange's Board of Directors of December 9, 2016).*

Article 9. Settlement confirmations

1. Transactions settlement confirmations shall be prepared not later than 5:20 pm ALT on the settlement day T+2 in the context of each net position on the basis of the information contained in (adjusted) reports. Account managers shall prepare settlement confirmations *(this item was changed by the Exchange Council decision of February 11, 2015 and a decision of the Exchange's Board of Directors decision of December 9, 2016).*
2. There may be two types of settlement confirmations depending on the following conditions:
 - 1) settlement confirmation – in case of readiness to fulfill obligations under the net position on the current settlement day;
 - 2) denial of confirmation – in case of readiness to fulfill obligations under the net position on other day than the current settlement day.
3. Fulfillment of obligations on the days following the settlement day T+2 shall be carried out with the use of procedures for the settlement of defaults on the stock market *(this item was changed by the Exchange Council decision of February 11, 2015).*
4. In preparing the settlement confirmations the account manager shall perform the following procedures:
 - 1) check sufficient funds in the appropriate accounts in the accounting system of the account manager;
 - 2) prepare the settlement confirmations or a denial thereof in accordance with clause 2 of this Article.
5. A trading participant not later than 5:20 pm ALT shall transfer the necessary assets (securities and/or cash) to the appropriate Central depository accounts *(this item was changed by the Exchange Council decision of February 11, 2015).*

footnote was changed by decisions of the Exchange's Board of Directors of May 19, 2015 and December 9, 2016).

⁸ Approved by a decision of Management Board (meeting minutes No. 17 dated January 27, 2012) *(this footnote was included by a decision of the Exchange Board of Directors of December 9, 2016).*

- 5-1. In case of insufficiency of assets on the client's money account or the trading participant's trading account, the Exchange may substitute said client account with own account of said trading participant serving that client.

Substitution of the account mentioned in paragraph first of this item is carried out following a decision of the supervising member of the Exchange's Management Board.

(This item was included by the Exchange Board of Directors decision of December 9, 2016).

- 5-2. At substitution of the client account for own account of the trading participant, in the Exchange's trading system the single limit on own client accounts is recalculated, according to the procedure specified in the internal document on clearing *(this item was included by the Exchange Board of Directors decision of December 9, 2016).*
6. The Exchange upon receipt of settlement confirmations but no later than the end of the clearing session shall check the confirmation data against trading (cash) account balances and shall block the funds needed for the settlement.
7. In case based on the results of the check referred to in clause 6 of this Article the trading (cash) account balance of the trading participant is not sufficient to perform obligations under the net position by this participant, the Exchange shall recognize the default of this participant and initiate implementation of procedures for settlement of defaults based on the internal document on clearing *(this item was amended by the Exchange Board of Directors decisions of February 11, 2015 and August 31, 2016).*

Article 10. General provisions on calculation

1. Transactions settlements shall be carried out by Central Depository on the settlement day within one hour after the settlement order is received from the Exchange. Transactions settlements shall be carried out in accordance with the Rules of Central Depository *(this paragraph was amended by the Exchange Council decision of February 11, 2015).*

If the provisions of this Procedure relating to the settlement by Central Depository and/or procedures performed by Central Depository contradict with the Rules of Central Depository, the Rules of Central Depository shall prevail.

2. Trading participants shall be served by Central Depository on the basis of the relevant agreements closed in the manner prescribed by the Rules of Central Depository.
3. Settlements of transactions (also on repo transactions) shall be carried out using "DvP-3" settlement model⁹ *(this item was changed by the Exchange's Board of Directors of December 9, 2016).*
4. During the settlement session the Central Depository shall check sub-accounts and current accounts of the trading participants and perform other procedures established by the Rules of the Central Depository *(this item was changed by the Exchange Council decision of February 11, 2015 and a decision of the Exchange's Board of Directors of December 9, 2016).*

⁹ "DvP-3" settlement model shall refer to settlements whereby the simultaneous transfer of cash and securities is carried out based on the aggregate transactions closed, and whereby the delivery of securities to the account is carried out only upon availability of cash in the relevant account in the amount sufficient to pay for the delivery *(this footnote was amended by the Exchange Board of Directors decision of February 11, 2015, the numbering of this footnote was changed by a decision of the Exchange's Board of Directors of December 9, 2016).*

5. Central Depository shall check accounts (sub-accounts) of trading participants for compliance with requirement for availability in the account of securities and/or cash in the amount sufficient for fulfillment of net liabilities.
6. If based on the results of the check the amount of securities and/or cash in the account (sub-account) of the trading participants meets the requirements established by clause 5 of this article, Central Depository performs the settlement (*this paragraph was amended by the Exchange Council decision of February 11, 2015*).

If based on the results of the check the amount of securities and/or cash in the account (sub-account) of the trading participants does not meet the requirements established by clause 5 of this article, the Central Depository provides the Exchange with a message about impossibility to perform the settlement (*this paragraph was amended by the Exchange Council decision of February 11, 2015*).
7. Central Depository upon completion of the settlement session but not later than 7:00 pm ALT on the day when the session ended shall provide the Exchange with a report on the settlements performed.
8. (*This item was changed by the Exchange Council decision of February 11, 2015 and removed by a decision of the Exchange's Board of Directors of December 9, 2016*).
9. In case the Exchange receives a message from the Central Depository about the impossibility to perform the settlement the Exchange shall generate a new settlement order and send the order to the Central Depository for execution of re-settlement (*this item was changed by a decision of the Exchange's Board of Directors of December 9, 2016*).
10. Re-settlements shall be carried out under the conditions and in the manner prescribed by this article.

Article 11. Forfeit

1. The trading participant who committed a default shall be obliged to pay a forfeit, namely a fine.

The Exchange shall impose a forfeit on the trading participant both for the case of the default itself and for the use (in accordance with the procedure established by Chapter 3 of the internal clearing document) of funds from the clearing reserve fund of the Exchange and / or margins of trading participants, other than this trading participant, for settlement of default.

2. The forfeit, imposed by the Exchange on the trading participant who committed a default, shall be payable to the Exchange (considering specifics established by the second paragraph of this item).

The deadline for the payment of a forfeit, imposed by the Exchange on the trading participant who committed a default, shall be established by article 22 of the internal clearing document.

The Exchange transfer the forfeit amount it receives for the case of the default itself to the trading participant(s) who was (were) been affected as a result of the default. If there are multiple trading participants who were affected as a result of the default, the forfeit amount received by the Exchange shall be distributed between these trading participants in proportion to the obligations unmet in their particular cases as a result of the default.

3. The amount of the forfeit, imposed for the case of a default itself, shall be calculated as follows:

$$S = D \times 0,001 \times M, \text{ where}$$

- S – forfeit amount in KZT;
- D – amount of the unmet obligations, recognized by the Exchange as a default of the trading participant;
- M – duration of the default settlement period, calendar days (including specifics established by item 4 of this article).
4. The duration of the default settlement period shall begin on the date of occurrence of a default event and end on the final day of performance of obligations to the trading participant(s) who was (were) been affected as a result of the default.
5. The amount of the forfeit, imposed for the use of funds from the clearing reserve fund of the Exchange and / or margins of trading participants, other than this trading participant who committed a default, shall be calculated according to the following formula:

$$S = \min(D \times 0,001 * M; D \times 0,05), \text{ where}$$

- S – forfeit amount in KZT (subject to the limitation specified in item 6 of this article);
- min – mathematical function that defines the smallest of the values within the brackets;
- D – amount uses from the clearing reserve fund of the Exchange and / or margins of trading participants, other than this trading participant who committed a default;
- M – duration of the period of use of funds from the clearing reserve fund of the Exchange and / or margins of trading participants, other than this trading participant who committed a default, calendar days (including specifics established by item 7 of this article).
6. The amount of the forfeit, imposed for the use of funds from the clearing reserve fund of the Exchange and / or margins of trading participants, other than this trading participant who committed a default, shall not exceed 5% of the amount of funds used from the clearing reserve fund of the Exchange and / or margins of these trading participants.
7. The duration of the period of using the funds from the clearing reserve fund of the Exchange and / or margins of trading participants, other than this trading participant who committed a default, shall begin on the date of commencement of such use and end on the date of recovery of these funds and / or margins by the trading participant who committed a default.

The recovery of funds from the clearing reserve fund of the Exchange and / or margins of trading participants shall be performed according to article 21 of the internal clearing document.

8. The forfeit amount of payable by the trading participant who committed a default:
- 1) shall be calculated and paid out in KZT;
 - 2) shall be included in a separate account of the Exchange;
 - 3) may be written off by the Exchange from the margin account with margins of this trading participant (with a balance available);
 - 4) where necessary, shall be recovered through legal proceedings under the terms established by the laws of the Republic of Kazakhstan.

(This article was amended by the Exchange Board of Directors decisions of February 11, 2015 and August 31, 2016).

Article 12. Rights, obligations and responsibility of the trading participant

1. A trading participant on the terms and in the manner prescribed by this Procedure, internal clearing document, internal document on clearing participants and other internal documents of the Exchange shall have the right to *(this paragraph was amended by decisions of the Exchange's Board of Directors of May 19, 2015 and August 31, 2016)*:

- 1) use the Exchange clearing services;
- 2) carry out transactions including those for the purpose of fulfillment of obligations arising from transactions closed before its suspension from trading and/or clearing member status revocation;
- 3) voluntarily refuse to participate in securities trading.

Thus, rights and obligations as to execution by the trading participant of obligations arising from transactions closed by this participant before the Exchange Management Board takes the decision to withdraw this user from trading or revoke its status of a clearing member, shall remain in effect;

- 4) determine in the Exchange trading system the values of client cash positions;
- 5) receive exchange certificates, reports, as well as other notifications, messages and information necessary and sufficient to enter into transactions *(this item was changed by a decision of the Exchange's Board of Directors of December 9, 2016)*;
- 6) enter into repo transactions with the purpose of acquiring securities or cash necessary for settlement of default;
- 7) exercise other rights provided for by the laws of the Republic of Kazakhstan and internal documents of the Exchange *(this sub-item was amended by a decision of the Exchange's Board of Directors of August 31, 2016)*.

2. A trading participant, on the terms and in the manner prescribed by this Procedure and other internal documents of the Exchange, must:

- 1) maintain the required level of the marginal collateral and positive value of the single limit for own and client trading accounts;
- 2) comply with the requirements of this Procedure, also fulfill the requirements to supplement the margin collaterals, replenish the guaranty fee, and supply cash and/or securities to pay for net obligations (also, if said obligations emerged as a result of transactions concluded by a trades participant on account, on behalf and in the interests of a client of that participant);
- 3) comply with the laws of the Republic of Kazakhstan, including in terms of manipulations in the regulated securities market, the charter of the Exchange;
- 4) avoid default;
- 5) fulfill other obligations stipulated by these regulations and other internal documents of the Exchange;

(This item was changed by decisions of the Exchange's Board of Directors of August 31, 2016 and December 9, 2016).

3. A trading participant on the terms and in the manner stipulated by internal documents of the Exchange shall be responsible for *(this paragraph was supplemented by a decision of the Exchange's Board of Directors of August 31, 2016)*:

- 1) failure to execute transactions closed by them, including transactions closed in the interest of their clients in accordance with the terms of brokerage fee agreement or another similar substance and purpose document;

- 2) failure to execute a transaction closed by them in case an account manager provided their remarks regarding this transaction.
4. A trading participant shall be obliged to control the effective period of the documents certifying the identity of its customers, the details of which are used in the accounting system of the Central Depository.

A trading participant shall bear full responsibility for the consequences of violating the obligations established by the first paragraph of this item in accordance with the laws of the Republic of Kazakhstan and internal documents of the Exchange.

(This item was included by a decision of the Exchange's Board of Directors of August 31, 2016).

Article 13. Rights, obligations and responsibility of the Exchange

1. The Exchange under the conditions and in the manner prescribed by internal documents of the Exchange may decide to suspend *(this paragraph was included by a decision of the Exchange's Board of Directors of August 31, 2016)*:
 - 1) clearing with the use of multilateral netting;
 - 2) transactions.
2. The basis for the adoption of any decisions referred to in clause 1 of this Article may be the event of the occurrence of periods of increased systemic, market or other risks, which shall begin and end as provided for by a special decision of the relevant authority of the Exchange.
3. In case the decision referred to in sub-clauses 1) and 2) of clause 1 of this Article is taken, the applications for concluding transactions using T+2 shall be filed based on a full advance collateral without clearing of transactions closed on the basis of these applications; and settlements of such transactions shall be conducted according to T+0 in the manner determined by the Exchange's internal document "Regulations on Conducting Settlements on Securities Transactions under T+0 Scheme with Full Backing (Gross Settlements)"¹⁰ *(this item was changed by decisions of the Exchange's Board of Directors of May 19, 2015, August 31, 2016 and December 9, 2016)*.
4. The Exchange under the conditions and in the manner prescribed by this Procedure and other internal documents of the Exchange shall have the right to *(this paragraph was amended by a decision of the Exchange's Board of Directors of August 31, 2016)*:
 - 1) charge trading and clearing fees;
 - 2) demand the payment of forfeit, as well as other payments related to settlement of default in the stock market;
 - 3) change cash positions in cash accounts of the trading participants, including by reducing the incoming, current and/or planned individual and/or client positions;
 - 4) annul part of active applications filed in the Exchange trading system;
 - 5) recognize default;
 - 6) demand any necessary documents and/or information from the trading participants.

¹⁰ Approved by a decision of the Exchange's Board of Directors (meeting minutes No. 12 of May 31, 2011) *(this footnote was included by a decision of the Exchange's Board of Directors of May 19, 2015, the numbering of this footnote was changed by a decision of the Exchange's Board of Directors of December 9, 2016)*.

5. The Exchange under the conditions and in the manner prescribed by internal documents of the Exchange shall *(this paragraph was amended by a decision of the Exchange's Board of Directors of August 31, 2016)*:
 - 1) provide the Exchange Board of Directors with reports on any significant cases that could result in the Exchange incurring a liability with regards to transactions closed by the trading participants with the use of T+2 on the terms and in the manner established by the internal documents of the Exchange regulating the Exchange's policy on risk management *(this sub-item was amended by a decision of the Exchange's Board of Directors of August 31, 2016)*;
 - 2) maintain separate accounting of funds of the trading participants and of its own funds.
6. The Exchange under the conditions and in the manner prescribed by internal documents of the Exchange shall be responsible for determining the net positions and generation of orders for settlement of transactions *(this item was amended by a decision of the Exchange's Board of Directors of August 31, 2016 and changed by a decision of the Exchange's Board of Directors of December 9, 2016)*.
7. Responsibility of the Exchange shall be limited to the elements of risk management system defined by the internal document on clearing *(this item was changed by a decision of the Exchange's Board of Directors of May 19, 2015)*.
8. The Exchange shall not be responsible for:
 - 1) losses incurred due to reasons out of scope of control framework established for it, or approved by it;
 - 2) any damages, gains or losses earned by the trading participants, except when they are the result of an intent or inexcusable negligence in the organization of professional activity (business) of the Exchange and if they are in direct violation of the provisions of internal documents of the Exchange *(this sub-item was amended by a decision of the Exchange's Board of Directors of August 31, 2016)*;
 - 3) any direct or indirect damages, gains or losses earned by the third parties (other than the trading participants) if they arise in connection with the securities transactions conditions, clearing and settlement;
 - 4) any losses or damages as a result of outages due to force majeure (force majeure events), or other events out of the scope of responsibility of the Exchange;
 - 5) any damages, losses of the trading participants as a result of technical problems, partial or total operating instability of computer systems, input, output errors in transactions closing, clearing or execution or as a result of mistakes in securities transactions collateral management, except when these losses and failures are the result of intent or inexcusable negligence in the organization of professional activity (business) of the Exchange, and if they are a direct violation of the provisions of internal documents of the Exchange *(this sub-item was amended by a decision of the Exchange's Board of Directors of August 31, 2016)*.

Article 14. Settlement of differences or disputes

Any dispute and conflict arising between the trading participants as well as the Exchange and trading participants regarding transactions concluded shall be settled

according to the procedure set out in Article 19 of KASE internal document "Regulations on Membership"¹¹

(This article was amended by a decision of the Exchange's Board of Directors of August 31, 2016).

CEO

M. Kabashev

¹¹ Approved by the Exchange Board of Directors (Minutes No. 42 of November 7, 2014 meeting) *(this footnote was added by a decision of the Exchange's Board of Directors of August 31, 2016, the numbering of this footnote was changed by a decision of the Exchange's Board of Directors of December 9, 2016).*