

KAZAKHSTAN STOCK EXCHANGE JSC

Agreed upon

with the Central Securities Depository JSC

on ____, 2016

CEO

Y. STUDENINA

Approved

by decision of Kazakhstan Stock Exchange

JSC Board of Directors

(meeting minutes No. 39
of November 10, 2016)

Effective as of

January 1, 2017

NOTICE

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

REGULATIONS

on Settlements on Securities Transactions under T+0 Scheme with Full Backing (Gross Settlements)

Almaty

2016

These Regulations shall set the basic requirements for the settlement of securities traded under the scheme T+0 with full backing on Kazakhstan Stock Exchange (Exchange), liability for non-fulfillment and procedure for payment of fines at default its obligations bidders.

Article 1. Main terms and definitions

For the purpose of these regulations, the following definitions shall apply:

- 1) **"liable trading participant"** – a trading participant who has not fulfilled the obligations under the transaction concluded;
 - 2) **"responsible trading participant"** – a trading participant who signed a deal, on whose part the deal has not been confirmed by the confirmation system user;
 - 3) **"position limit"** – a value of money or securities, within which a position can be opened;
 - 4) **"trading day"** – a part of the day during which the Exchange organizes and administers trading, clearing and settlement of transactions in financial instruments;
 - 5) **"position"** – an amount of money (cash position) or a number of securities (securities positions) on trading accounts of trading participants (and / or their clients) in the Exchange trading system;
 - 6) **"confirmation system user"** – a legal entity that authorizes trading participants to trade using trading accounts belonging to its clients, settles the deals and is connected to the confirmation system by the Exchange;
 - 7) **"affected trading participant"** – a trading participant whose deal was not settled as this trading participant defaulted on its obligations thereunder;
 - 8) **"confirmation system"** – a software and hardware complex of the Exchange which enables users connected to it to obtain information on transactions in financial instruments concluded or being concluded via the trading system on behalf of these persons, on the instructions of these persons or for the benefit of these persons or their clients, and based on the information processed, to notify the Exchange whether the terms of the transactions concluded or being concluded meet the terms under which such transactions should or could be concluded;
 - 9) **"trading participant"** – the Exchange member who has been authorized to transact using the Exchange trading system and take part in auctions organized by it;
 - 10) **"Central Depository"** – Central Securities Depository JSC.
2. Other terms used in these Regulations shall have the same meanings as defined by the laws of the Republic of Kazakhstan and other internal documents of the Exchange.

Article 2. Main provisions

1. The T+0 transactions shall be settled given the full backing in real time and on a delivery versus payment basis.
2. Each transaction in securities shall be settled by the Central Depository separately in accordance with the procedure established by the internal documents of the Central Depository and these Regulations.
3. For the transactions in securities to be settled the Exchange shall send orders to the Central Depository using the formats as set forth in the Trading Organizer Service Contract signed with the Central Depository.
4. The Exchange-based fully backed T+0 transactions in securities shall be settled on the transaction day with regard to the specifics established by clause 5 of this Article.
5. The Exchange-based special trading transactions to place, purchase, buyback, sell financial instruments or subscribe to securities shall be settled on the date specified in the order for such trading sessions.

Article 3. Trading participants

1. The participants of trading in securities shall be attributed to one of the following groups:
 - 1) the first group covers the trading participants free to determine the opening cash position on their trading accounts in the Exchange trading system;
 - 2) the second group covers the trading participants whose opening cash positions are determined by the Exchange on the basis of the data from the Central Depository.
2. The first group trading participants covers members from the Exchange "stock market member" category – National Bank of the Republic of Kazakhstan, second-tier banks of the Republic of Kazakhstan and Development Bank of Kazakhstan.
3. The second group trading participants covers members from the Exchange "stock market member" category other than banks (with the exception set forth in clause 4 of this Article).
4. In the event that a first group trading participant defaults on its payments under the securities acquired on the Exchange and / or a repo compensatory payment transfer twice as no sufficient amount is available on its position with the Interbank Data Transfer System "Kazakhstan Interbank Settlement Center" (the IDTS KISC) within 30 consecutive calendar days, it can be transferred to the second group (taking into account the specifics established by clause 5 of this Article)

The decision to transfer a trading participant from the first to the second group and dates of this transfer shall be made by the Management Board of the Exchange following the examination of the defaults on its obligations.

The trading participants shall be transferred back from the second to the first group automatically following a 30 days second group period. However, the transfer period can be changed based on a decision of the Exchange Management Board.

The Exchange shall notify the Central Depository of the decision of the Exchange Management Board to transfer the trading participants from the first to the second group or back not later than one working day preceding the day of the transfer.

6. No trading participant rules relating to the transfer from the first to the second category established by clause 4 of this Article shall be applicable to the National Bank of the Republic of Kazakhstan acting as a trading participant.

Article 4. Accounts of trading participants

1. For the securities settlement the trading participants must hold client accounts and subaccounts¹ opened under these client accounts with the Central Depository subject to provisions provided for in clause 2 of this Article.
2. For the cash settlements:
 - 1) the first group participants should have a position² with the KISC or correspondent account (of their own and of their clients) with the Central Depository to be used for the settlements in case these participants are moved to the second user group;

¹ The sub-accounts contain the trading participants' own securities or securities of their clients

² The position with the KISC is a position to keep a record of the KISC system user cash transferred by them to the KISC account with the National Bank.

- 2) the second group participants should have current accounts with the Central Depository.
3. The correspondent (owner's³ and client aggregate⁴) and current (owner's and client aggregate) accounts of the trading participants held with the Central Depository are the accounts used for a prepayment (prepayment accounts).
4. Each sub-account of the trading participants opened with the Central Depository shall be aligned with a trading account opened with the Exchange trading system used for securities and funds of the trading participants and/or their clients in order to participate in securities trading.

The position accounts shall be opened in the Exchange trading system in order to separate certain securities and amounts in each trading account.

5. The accounts referred to in clauses 1 and 2 of this Article shall be opened, maintained and closed in accordance with internal documents of the Central Depository and KISC.

Article 5. Positions of trading participants in Exchange trading system

The following positions for funds and securities of the trading participants shall be used in the Exchange trading system:

- 1) an opening position which reflects the amount of money (opening balance) or securities in the trading participants' accounts with the Central Depository, the information on which is provided to the Exchange by the Central Depository, or KISC positions, the information on which is provided by the first group participants, which are intended to be used for the Exchange trading settlements;
- 2) a current position which reflects an opening position based on transactions and other operations of the trading participants in the Exchange trading system as of the current moment of a trading day;
- 3) a planned position calculated by the Exchange trading system based on a current position of the trading participants, subject to (net of) the parameters of active orders submitted by these trading participants in the Exchange trading system.

Article 6. Determining initial positions

1. The information about the initial positions of the first group participants shall be delivered to the Exchange trading system:
 - 1) by the Central Depository daily before the trading opening regarding the number of securities in the sub-accounts of the first group participants;
 - 2) by the first group participants as required regarding the opening cash owner's and client positions;
2. The information about the initial positions of the second group participants shall be delivered to the Exchange trading system:
 - 1) by the Central Depository daily before the trading opening regarding the number of securities in the sub-accounts of the second group participants and amounts in their prepayment accounts with the Central Depository;
 - 2) by the second group participants as required regarding the allocation of money from the client aggregate accounts to client trading accounts.
3. On the basis of the information received pursuant to clauses 1 and 2 of this Article, the opening position amounts shall be updated in the Exchange trading system.

³ The owner's account is used for the trading participants' own money.

⁴ The client aggregate account is used for the money of the trading participants' clients.

Article 7. Verifying and accepting orders

1. The Exchange trading system shall automatically check each securities purchase and sale order against compliance with the position limits, notice of readiness to fulfill the obligations under repo deals or obligations to transfer a compensatory payment under repo deals.
2. In case of a negative result of the verification performed in accordance with clause 1 of this Article, the trading system shall reject (shall not accept) an order, notice of readiness to fulfill the obligations under repo deals or obligations to transfer a compensatory payment under repo deals.
3. In case of a negative result of the verification performed in accordance with clause 1 of this Article, the trading system shall accept an order, notice of readiness to fulfill the obligations under repo deals or obligations to transfer a compensatory payment under repo deals and automatically performs the following:
 - 1) block cash and/or securities to secure a given order/notice;
 - 2) change the value of a planned position of the trading participants who submitted the orders / notices according to the size of these orders / notices.
4. The compliance with the position limits of the trading participants shall be controlled based on the information on securities and cash received from the Central Depository, information on cash received from the trading participants, opening, current and planned positions of the trading participants regularly checked by the Exchange trading system taking into account the provisions from the second paragraph of this clause.

No compliance with the cash position limits shall be controlled by the Exchange trading system with respect to the trading accounts of the National Bank of the Republic of Kazakhstan according to these Regulations.

5. The Exchange trading system shall verify the orders filed by the trading participants of the special trading sessions to offer, buy, buyback or sell securities against the sufficiency of funds or securities for the settlement following the results of such trading along with the conclusion of the special trading transactions.

The special trading participants shall be liable if they have no money or securities in their accounts and therefore do not settle transactions as part of the special trading sessions.

Article 8. Concluding and settling transactions

1. Whenever a transaction is concluded and a repo compensatory payment transfer obligation is fulfilled, in a trading account which was used to conclude this transaction the Exchange trading system shall automatically:
 - 1) create a position for a certain security name;
 - 2) change the current and planned position values. In this case a current position shall reflect a position with the cash or securities values taking into account the claims and liabilities on the transactions concluded as of the current moment of a trading day.
2. Whenever the purchase and sale transactions in securities, including transactions entered into as part of the special trading sessions, and/or repo opening transactions and/or a notice of readiness to fulfill the obligations under repo closing deals from both repo deal parties and/or a notice of readiness to fulfill the obligations to transfer a compensatory payment under repo deals are registered in the Exchange trading system, the settlement orders are generated and sent to the Central Depository along with the information about these transactions and compensatory payments under repo deals.
3. The orders to settle each transaction separately shall be submitted by the trading system of the Exchange to the Central Depository or to transfer a repo

compensatory payment according to their registration sequence in the Exchange trading system.

4. An information message confirming a successful settlement for each order shall be sent to the Exchange trading system from the Central Depository.
5. The market participant position values shall change in the Exchange trading system upon the receipt of an information message confirming a successful settlement of a transaction from the Central Depository or a repo compensatory payment made. The message received from the Central Depository shall define the number of securities and cash on the opening and current positions of the trading participants.
6. Should any party to a transaction default on its obligations thereunder, the transaction counterparty through the trading system of the Exchange shall receive a message of the default by the other party and may at its own discretion terminate the transaction at any time until the end of the trading day (given clauses 4-6 of Article 10 of these Regulations) or agree for the re-settlement of the transaction.
7. The re-settlement of a failed transaction shall be made by the mutual consent of the parties of this transaction upon the receipt by the Exchange of messages of readiness submitted to the Exchange trading system by each party to the transaction.
8. In order to prevent the multiple use of the trading participants' assets in case of the purchase and sale transactions in securities, and/or repo opening transactions and/or settling a compensatory payment under repo deals prior to the receipt from the Central Depository of the information provided for in clause 5 of this Article, the planned positions of the these trading participants are calculated using the parameters of a transaction or a compensation payment.

Article 9. Changing positions during trading

1. Should the trading participants change their opening money position resulting in the position limit violation, this change shall be blocked in the Exchange trading system.
2. As part of the trading process the trading participants shall have the opportunity to change the number of securities in their sub-accounts and money in their prepaid accounts with the Central Depository in accordance with the documents of the Central Depository.

The information about a new number of securities in the sub-accounts or money in trading participants' prepaid accounts shall be delivered by the Central Depository to the trading system of the Exchange immediately after the change occurs.

3. The trading participants may independently change the values of their client money positions (within an aggregated position) during the course of trading in compliance with the conditions established by these Regulations.
4. Whenever there are the trading participant restrictions to dispose their securities or money, the Central Depository shall send a notice about a decrease in the number of securities and / or money in the trading participants' accounts to the Exchange trading system.
5. As soon as a notice from clause 4 of this Article is delivered to the trading system of the Exchange:
 - 1) opening positions in the trading participants' trading accounts shall be reduced;
 - 2) whenever the trading participants' position limits are exceeded as a result of new opening positions, the active orders of these trading participants shall be canceled with the change in the planned and current positions.
6. The responsibility for the failure to settle transactions concluded in the Exchange trading system, as a result of position changes or imposition of restrictions on the disposal of securities and / or money in the accounts of the trading participants,

shall rest with a party of this transaction whose positions in the accounts were modified or on whom the restrictions to dispose securities or cash were imposed.

Article 10. Confirmation System

1. The purchase and sale transactions in securities, repo opening and closing transactions and notices of readiness to transfer a compensatory payment under repo deals concluded in the trading system and submitted to the trading system in accounts controlled by the Confirmation System users shall be sent by the Exchange trading system for the settlement to the Central Depository provided that for these transactions and notices of readiness the confirmation was obtained from the Confirmation System users.
2. The Confirmation System users must send to the Exchange trading system the confirmation of the purchase and sale transactions in securities, repo opening and closing transactions, orders to participate in special trading sessions and notices of readiness to transfer a compensatory payment under repo deals within the confirmation system hours, established by the internal document of the Exchange⁵.
3. Should a user of the confirmation system not confirm a transaction, the latter shall be settled by a responsible trading participant on the transaction date (T+0 day) or on the next business day (T+1 day) in the manner described in clauses 4-6 of this Article.
4. Should a responsible trading participant be ready to settle a deal, the parties to this transaction not later than 5:45 PM Almaty time on T+0 day or 1:00 PM Almaty time on T+1 day shall follow these steps in the Exchange trading system:
 - 1) the party in charge shall replace a trading account with a personal or any other account in the parameters of a transaction, provided that the party in charge provided a wrong trading account when filing an order under which this transaction was concluded;
 - 2) submit this deal for the re-settlement;
 - 3) the affected party shall submit a statement to authorize or deny the re-settlement.
5. A transaction shall be settled later on T+1 day (on T+0 day the status of this transaction shall not change in the trading system), if in accordance with clause 4 of this Article on T+0 day:
 - 1) the responsible party failed to replace the account; and / or
 - 2) the responsible party failed to submit the deal for the re-settlement; and / or
 - 3) the affected party failed to submit a statement to authorize or deny the re-settlement on T+0 day.
6. A transaction shall be terminated, if in accordance with clause 4 of this Article on T+1 day:
 - 1) the responsible party failed to replace the account; and / or
 - 2) the responsible party failed to submit the deal for the re-settlement; and / or
 - 3) the affected party failed to submit a statement to authorize the re-settlement;
 - 4) the affected party submitted a statement to deny the re-settlement.
7. The Confirmation System users failing to confirm purchase and sale transactions in securities, repo opening/closing transactions, a notice of readiness to transfer

⁵ Rules of Trading and Confirmation System Operation, approved by the decision of the Exchange's Management Board (Minutes No. 17 dated January 27, 2012), or a document replacing it.

a compensatory payment under repo deals during the Confirmation System hours of operation shall submit a letter indicating the reasons for this failure to confirm to the Exchange not later than the next business day.

8. The Confirmation System users must not refuse to confirm purchase and sale transactions in securities, repo opening transactions, a notice of readiness to transfer a compensatory payment under repo deals due to the absence of money or securities of a trading participant, as the Exchange trading system shall control the limits of positions of trading participants when accepting their orders for purchase and sale transactions in securities, repo opening transactions, a notice of readiness to transfer a compensatory payment under repo deals.

Article 11. Liability for settlement failure

1. The purchase and sale transactions not settled by trading participants by the end of an operating day of the Exchange shall be recognized as terminated given the provisions of Article 7 hereof.
2. The responsible trading participants must pay a fine of 5.0 % of the terminated deal's amount (except for cases indicated in clauses 3 and 4 of this Article) to the affected trading participants (in case the latter demand the fine to be paid).
3. The affected trading participants denying the re-settlement of a transaction or failing to submit a statement to authorize the re-settlement of this transaction shall have no right to demand that a responsible party pays any penalty.
4. Should a transaction be settled in accordance with clause 4 of Article 10 on T+1 day, the affected party has the right to demand that the responsible party pays a penalty of 0.1% of the transaction amount per settlement delay day.
5. The specifics of repo opening and closing transactions, as well as the liability of the parties to these transactions for the improper fulfillment of their relevant obligations shall be established by the internal document of the Exchange "Rules of Repo Transactions Execution"⁶.
6. Should an unsettled transaction be re-settled, the responsible trading participants shall be liable as follows (except as provided by clause 7 of this Article):
 - 1) imposed a warning – if trading participants allowed two cases of re-settlement of transactions within 30 calendar days;
 - 2) imposed a fine of 50 times the monthly calculation index – if trading participants allowed more than two cases of re-settlement of transactions within 30 calendar days.
7. The Market Maker of government securities shall not be liable for the re-settlement of transactions in these securities.

Article 12. Payment of fines

1. Should a deal be terminated, the responsible trading participants shall pay the full amount of the commission fees on the unsettled deal to the Exchange, calculated for both parties of this transaction in accordance with the conditions specified by internal documents of the Exchange, and without regard to any preferences for the payment of the Exchange's commission fees.
2. The affected trading participants within five business days from the date of a purchase and sale transaction in securities may provide the Exchange with a

⁶ Approved by the decision of the Board of Directors of Kazakhstan Stock Exchange (Minutes No. 4 of the meeting dated February 29, 2012).

written notice on the availability of any claims against the responsible trading participant for the payment of a fine for a failure to settle the deal, given that:

- 1) if within the indicated term the Exchange does not receive this notice, it shall consider this fact as an evidence of the absence of any claims of the affected trading participants against the responsible trading participants regarding the transaction;
- 2) if within the indicated term the Exchange receives this notice, it shall notify the responsible trading participants of the need to pay the fine and submit an invoice for its payment not later than the second business day following the date of the receipt of this notice.
3. The responsible trading participant shall transfer a fine amount to the Exchange's correspondent account with the National Bank of the Republic of Kazakhstan no later than the fifth business day following the day it receives a notice referred to in sub-clause 2) of clause 2 of this Article.
4. The Exchange within two business days following the day it receives the fine amount in its correspondent account in accordance with clause 3 of this Article shall transfer this amount to the affected trading participant using the bank details specified in the demand to pay this fine.
5. The procedure to solve any disputes on the payout of a fine arising from the transactions in financial instruments shall be regulated by a separate internal document of the Exchange "Settlement of disputes and conflicts arising from transactions in financial instruments"⁷.

Chairwoman of the Management Board

A. Aldambergen

⁷ Approved by the decision of the Exchange's Board of Directors (minutes No. 10 dated May 28, 2012).