

# KAZAKHSTAN STOCK EXCHANGE

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## Appendix T3

to Rules of Exchange  
Securities Trading

### Agreed on

National Bank  
of the Republic of Kazakhstan

December 11, 2002

Deputy Chairman of the National Bank  
of the Republic of Kazakhstan

E. ZHANGELDIN

### Agreed on

Central Securities Depository

November 7, 2002

President

B. KAPYSHEV

### Approved

Kazakhstan Stock Exchange  
General Meeting

December 23, 2002

### Effective

December 24, 2002

## NOTICE

The Rules have been translated into English by employees of Kazakhstan Stock Exchange for information purposes only. In case of any incompliance of this translation with the original in Russian, the Russian version shall always prevail.

# RULES

## of Repo Transactions

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Almaty

2002

## LIST OF AMENDMENTS

### 1. Additions No. 1:

- agreed on with the National Bank of the Republic of Kazakhstan on December 31, 2003;
- agreed on with Central Securities Depository on December 8, 2003;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 31 December 3, 2003);
- effective March 1, 2004.

### 2. Additions No. 2:

- agreed on with the National Bank of the Republic of Kazakhstan on December 31, 2003;
- agreed on with the Central Securities Depository on December 30, 2003;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 35 December 30, 2003);
- effective January 1, 2004.

### 3. Addition No. 3:

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on September 1, 2004;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 29 (3) September 10, 2004);
- effective September 10, 2004.

### 4. Additions and Changes No. 4:

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on December 21, 2004;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 37 October 20, 2004);
- effective December 22, 2004.

### 5. Addition and Change No. 5:

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on January 21, 2005;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 49 December 29, 2004);
- effective January 24, 2005.

### 6. Additions No. 6:

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on February 16, 2006;
- agreed on with the Central Securities Depository on January 16, 2006;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 2 (3) January 20, 2006);
- effective from January 14, 2006.

### 7. Changes No. 7:

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on September 30, 2008;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 26 October 15, 2008);
- effective December 4, 2008.

**8. Changes No. 8:**

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on October 9, 2008;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 24 August 28, 2008);
- effective October 10, 2008.

**9. Additions and Changes No. 9:**

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on December 3, 2008;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 26 October 15, 2008);
- effective December 4, 2008 considering the following specifics: the Exchange Council decision establishes that item 29 of the revised Rules on Repo Transactions is not applied to closing deals in the repo transactions opened before these changes and additions came into effect, including those repo transactions, the period of which was extended (being extended) after these changes and additions came into effect.

**10. Changes and Additions No. 10**

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on January 23, 2009;
- approved by Kazakhstan Stock Exchange Council (protocol No. № 3 (3) January 8, 2009);
- effective January 25, 2009.

**11. Additions No. 11**

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations May 20, 2009;
- approved by Kazakhstan Stock Exchange Council (protocol No. 10 March 26, 2009);
- effective April 1, 2009.

**12. Changes and Additions No. 12**

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations May 20, 2009;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 12 April 23, 2009);
- effective May 21, 2009.

**13. Changes and Additions No. 13**

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations July 3, 2009;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 16 May 28, 2009);
- effective May 4, 2010.

**14. Changes and Additions No. 14**

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations December 30, 2009;
- approved by the Kazakhstan Stock Exchange Council (protocol No. 24 October 1, 2009);
- effective May 4, 2010

These Rules define the order of execution of repo<sup>1</sup> transactions in the trading system of Kazakhstan Stock Exchange (hereinafter - the Exchange), the main settlement terms on such transactions, and liability of agents of repo transactions for inappropriate fulfillment of obligations thereon (*this paragraph was changed by the Exchange Council January 15, 2004*).

### Chapter 1. GENERAL PROVISIONS

1. A repo transaction is a combination of the two, simultaneously carried out, different in time of execution and opposite in directions to each other deals in the same securities (the subject of repo transaction – the securities loaned), the parties of which are the same two persons (the agents of a repo transaction) (*this paragraph was changed by the Exchange Council decision of January 8, 2009*):
  - 1) repo opening deal (opening deal): a deal in securities with a transfer of money in the amount of the deal from one repo transaction agent to another agent and delivery of a certain amount of the securities from the latter to the first mentioned agent (*this sub-item was changed and supplemented by the Exchange Council on January 8, 2009*);
  - 2) repo closing deal (closing deal): a deal in the same securities with a transfer of money in the amount of the deal from the second mentioned agent to the first agent and return of the same amount of the securities as in the opening deal by the first agent to the second agent (*this sub-item was changed and supplemented by the Exchange Council January 8, 2009*).
2. As related to an entity, repo transactions can be subdivided into:
  - 1) a repo transaction (a repo), that is a sale of a repo subject (securities) on the obligation of a subsequent repurchase (*this sub-item was changed by the Exchange Council on April 23, 2009*);
  - 2) a reverse repo transaction, that is a purchase a repo subject on the obligation of a subsequent reverse sale (*this sub-item was changed by the Exchange Council on April 23, 2009*).
3. For purposes hereof a 'repo transaction' means a repo transaction itself (nego repo), and a reverse repo transaction.
4. The terms used herein mean the following:
  - 1) "**repo closing date**" or "**closing date**" – a day determined by the parties of a repo transaction or by the trading system for execution of a closing deal;
  - 2) "**repo opening date**" or "**opening date**" – a day of the opening deal was concluded;
  - 3) "**repo transaction yield**" – calculated as percentage per annum quantitative indicator of a repo transaction, depending on the term of the repo transaction and a difference between closing and opening prices (*this sub-item was changed by the Exchange Council January 8, 2009*);
  - 4) "**Exchange administrator**" – an employee of the Exchange, organizing and administering trade in financial instruments, enjoying superior authority among other Exchange employees exercising such functions;
  - 5) "**repo purchaser**" – a repo transaction agent, purchasing the repo transaction subject in an opening deal and selling it in a closing deal;
  - 6) "**repo seller**" – a repo transaction agent, selling the repo transaction subject in an opening deal and purchasing it in a closing deal;
  - 7) "**automatic repo market**" – a part of the trading system designed to execute repo transactions automatically;
  - 8) "**Confirmation system**" – a program-technical complex of the Exchange, allowing for the connected persons receiving data on securities transactions in the trading system under

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<sup>1</sup> From the English 'repo' – generally accepted contraction of the word connection 'repurchase agreement' ('agreement on purchase with following repurchase').

- their or their clients' instructions (in relation to whom these persons are nominal securities holders), and on the basis of the received data, providing the Exchange with confirmation of such transactions (messages on conformity of transactions terms with the terms of the orders) or rejections of confirmation of such transactions;
- 8-1) **"Agreement on general terms of execution of nego repo transactions"** – an Exchange internal document setting the order of execution of nego repo transactions and compliance with obligations thereon, measures on mitigation of risk of repo defaults, and liability for improper compliance with obligations (*this sub-item was included by the Exchange Council May 28, 2009*);
  - 9) **"repo transaction term"** – a period, in days, between repo transaction closing and opening dates;
  - 10) **"account in the Central Depository"** – a control account with the Central Depository, opened for accounting of securities used as repo transaction subject;
  - 11) **"trading system"** – the Exchange-based program and technical complex allowing for trading in financial instruments circulating on the Exchange;
  - 12) **"trader"** – an individual trading on the Exchange on behalf of an Exchange member – an agent of the trade;
  - 13) **"repo transaction closing price"** or **"closing price"** – repo transaction subject price, at which a closing deal is concluded;
  - 14) **"repo transaction opening price"** or **"opening price"** – repo transaction subject price, at which an opening deal is concluded;
  - 15) **"Central Depository"** – the Central Securities Depository (*this sub-item was changed by the Exchange Council April 14, 2005*).
5. Agents of repo transactions, executed in the trading system, may be Exchange members entitled to trade in the securities cleared for loan in repo transactions in compliance herewith (*this item was changed by the Exchange Council January 8, 2009*).
  - 5–1. Agents of repo transactions pay repo transactions commissions to the Exchange in compliance with the Regulations on Membership Fees and Exchange Dues (*this item was included by the Exchange Council September 10, 2004 and changed by the Exchange Council January 8, 2009*).
  6. Repo transactions are regulated by section II "Participants of Exchange Securities Trading" of the Exchange internal document "Rules on Exchange Securities Trading".

## Chapter 2 CONCLUSION OF REPO OPENING AND CLOSING DEALS

7. Repo transactions can be executed in the trading system by two methods:
  - 1) by "nego" method – at trades, carried out by method of nego deals (*this sub-item was supplemented by the Exchange Council December 29, 2004*);
  - 2) by "automatic" method – at trades, carried out by method of continuous counter auction on the automatic repo market (*this sub-item was changed by the Exchange Council December 29, 2004*).
8. Repo transactions carried out automatically are distinguished in the trading system as separate (from securities, being subjects of such repo transactions) financial instruments.
9. Securities, loaned in nego repo transactions, are independently selected by repo transaction agents from the securities circulating on the Exchange (with account to provided in item 9–1 hereof) (*this paragraph was supplemented by the Exchange Council decision of March 26, 2009*).

Securities, loaned in automatic repo transactions, are defined by repo sellers in compliance with Exchange internal document "Specification of Automatic Repo Market"<sup>2</sup> *(this paragraph was supplemented by the Exchange Council decision of March 26, 2009).*

- 9-1. Securities of the same issuer, may be banned by the Exchange Board for loans in nego repo transactions, if:
- 1) the issuer failed to timely pay interest on bonds circulating on the Exchange; and/or
  - 1-1) the issuer failed to timely pay the principal on its matured bonds that were circulating on the Exchange; and/or *(this sub-item was included by the Exchange Council decision dated April 23, 2009)*
  - 2) the issuer failed to timely pay dividends on its preferred shares circulating on the Exchange; and/or
  - 3) the securities admittance initiator failed to submit issuer financial statements (including the interim statements) within three months after the term specified in the listing agreement; and/or
  - 4) the securities admittance initiator failed to submit to KASE substantial information on the securities and/or their issuer (the information, which may affect securities price) within ten days after the term specified in the Listing Rules.

*(This item was included by the Exchange Council decision of March 26, 2009).*

- 9-2. The ban, specified in item 3-1 or 3-2 of this Specification, may be cancelled by the Exchange Board if the issuer or the admittance initiator eliminates violations that entailed such ban (with account to provided in the second paragraph of this item).

If the ban to use securities as repo transactions subject was set in compliance with item 3-2 of this Specification due to untimely payment of an interest on debt securities, such ban may be cancelled only after timely payment of the next-in-turn interest on these securities.

*(This item was included by the Exchange Council decision of March 26, 2009).*

- 9-3. The Exchange Board may ban securities to be loaned in nego repo transactions, if in accordance with Exchange internal document "Securities Valuation Methodology", the securities were not evaluated for two weeks in a row *(this item was included by the Exchange Council May 28, 2009).*

10. The term of a nego repo transaction, shall be determined by respective transaction agents independently on concord with each other, provided this period does not exceed 90 days (with account to provided in the third paragraph of this item) *(this paragraph was supplemented by the Exchange Council decisions of October 20, 2004 and January 8, 2009).*

The standard terms of auto repo transactions shall be determined by the Exchange Board.

The securities may not be loaned in repo transactions, if at a time of conclusion of opening and closing deals, it is known that during the planned transaction term the securities are going to be redeemed *(this paragraph was included by the Exchange Council decision of October 20, 2004 and changed by the Exchange Council decision of January 8, 2009).*

11. Application forms for repo transactions are specified in the trading system. At that *(this paragraph was changed by the Exchange Council decision of January 8, 2009):*
- 1) at nego repo transaction, submission of an order for an opening deal – "purchase" or "sale" – shall accordingly mean the purchase or the sale of the repo subject in the opening deal *(this sub-item was changed by the Exchange Council decision of January 8, 2009);*
  - 2) at auto repo transaction, submission of an order for an opening deal – "purchase" or "sale" – shall mean accordingly receipt of money by a repo seller or transfer of money by a repo buyer in the opening deal *(this sub-item was changed by the Exchange Council decision of January 8, 2009).*

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<sup>2</sup> To be approved by the Exchange Board *(the footnote was included by KASE Council on January 8, 2009).*

12. Nego repo transactions are regulated with the Agreement on general terms of execution of nego repo transactions. At that *(this passage was complimented by the Exchange Council decision May 28, 2009)*:
- 1) closing price, repo subject amount, closing date and admissible level of risk shall be determined by transaction agents independently on accord with each other (with account to the maximum repo transaction term set in the first passage of item 10 hereof) *(this sub-item was changed and complimented by Exchange Council decisions dated January 8, 2009 and changed by the Exchange Council decision May 28, 2009)*;
  - 2) the amounts of repo opening and closing deals shall be calculated at products of repo transaction subject fixed by the transaction agents at conclusion of the opening deal, and opening and closing prices respectively *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*.
13. At execution of auto repo transactions:
- 1) in the trading system, repo transaction yield is used as a price of a financial instrument, and a sum of an opening deal is used as quantity of a financial instrument;
  - 2) a repo buyer order for conclusion of an opening deal may be denied by the trading system, if the buyer's account with the Central Securities Depository does allow for crediting securities that are subject of the repo transaction *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*;
  - 3) the closing date is determined by the trading system automatically on the basis of the repo transaction term (of standard terms), for which the repo transaction was concluded (with account to provided in item 19 hereof) *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*;
  - 4) repo transaction subject amount, opening deal sum, closing price and closing deal sum are calculated by the trading system automatically in compliance with the Exchange internal document "Specification of Automatic Repo Market" based on the repo transaction subject, the opening deal sum (indicated by repo agents at conclusion), repo transaction yield, repo transaction term and opening price, determined by the trading system on the basis of the securities evaluation methodologies applied at the Exchange, so that the precise opening deal sum (production of the opening price and the repo transaction subject quantity) equals the opening deal sum indicated by the repo transaction agents at conclusion, or exceeds this sum within the opening price *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*;
  - 5) the repo closing deal is formed by the trading system automatically on the bases of its parameters, indicated in sub-item 4) of this item and concluded simultaneously with the repo opening deal.
14. The repo transactions for which the opening and closing deals were concluded are formalized by the Exchange certificates.

The Exchange certificate is a document, verifying the conclusion in the trading system of the opening and closing deals, related to the same repo transaction, and also the registration and accounting of these deals.

The Exchange certificate is formalized in two copies, one of which is handed over to a trader of repo transaction agent, and the second is retained at the Exchange to control opening and closing deals execution, related to this repo transaction *(this paragraph was changed by the Exchange Council decision of January 8, 2009)*.

### **Chapter 3. OPENING AND CLOSING REPO DEALS**

15. Calculations on repo transactions (execution of opening and closing repo deals in money and loaned securities) are made by the Central Securities Depository on the basis of the orders provided by the Exchange and on conditions provided by chapter III of the internal document of the Exchange "Regulations on Securities Trading Settlement".

16. The repo opening deal is executed on the opening date and means the transfer of money from a repo buyer in favor of a repo seller in the amount of the opening deal and the transfer of loaned securities from a repo seller to a repo buyer.

The closing repo deal is executed on the closing date and means the return of the loaned securities from a repo buyer to a repo seller and the transfer of money from a repo seller to a repo buyer in the amount of the closing deal.

17. At a nego repo transaction opening deal, the loaned securities are written off a repo seller's account with the Central Depository and credited to a repo buyer's account with the Central Depository. At that, the securities may be traded and pledged by the repo buyer during the repo transaction term. Interaction of repo agents with the securities issuer carrying out corporate actions is regulated by the Agreement on general terms of execution of nego repo transactions *(this passage was changed by the Exchange Council decision dated January 8, 2009 and complimented by the Exchange Council decision of May 28, 2009)*.

At an auto repo transaction opening deal, the loaned securities are written off a repo seller's account with the Central Depository, and credited to a repo buyer's account with the Central Depository and blocked thereon. At the loaned securities may be traded and pledged by the repo buyer during the repo transaction term *(this paragraph was changed by the Exchange Council decision of January 8, 2009)*.

18. If during the auto repo transaction term, the loaned securities' register is fixed for purposes of accrual and payments on the securities, the payments shall be accrued and made in favor of the repo seller *(this item was changed by the Exchange Council decisions of October 20, 2004 and January 8, 2009)*.

19. If the closing date is a non-working (weekend or holiday) day, the closing deal is executed on the first working day following this date. At that for auto repo transactions the trading system shall automatically recalculate the repo closing deal amount on the basis of the actual term of the transaction *(this item was changed by the Exchange Council decisions of October 20, 2004 and January 8, 2009)*.

20. Should the confirmation system controlled trading accounts be used in repo transactions, all corresponding deals shall be executed only on conditions of confirmation with the Confirmation system (except as provided in the second passage of this item) *(this passage was changed by the Exchange Council decisions dated October 20, 2004 and January 8, 2009)*.

An auto repo transaction closing deal does not have to be confirmed by a repo buying agent *(this passage was changed by the Exchange Council decision January 8, 2009)*.

21. For purposes of enforcement of repo closing deals:

- 1) daily (every working day), 10 minutes before close of trade in repo, repo agents with closing dates falling on this day, must send to the trading system a message of readiness for execution of corresponding repo closing deals (except as provided in item 22 hereof) *(this paragraph was changed by the Exchange Council decision of January 8, 2009)*;
- 2) should a repo agent fail to comply with sub-item 1) of this item is non-conditional ground to acknowledge the transaction disrupted at fault of the agent and ensuing of consequences specified in items 29-31 hereof *(this sub-item was changed by the Exchange Council decisions of October 15, 2008 and January 8, 2009)*;
- 3) *(this sub-item was excluded by the Exchange Council decision of October 15, 2008)*.

22. Sub-item 1) of item 21 hereof is not applicable to the following auto repo transaction agents *(this passage was complimented by the Exchange Council decision January 8, 2009)*:

- 1) repo buyers;
- 2) repo sellers, if sellers' trading accounts controlled through the Confirmation system are used at repo closing deals related to such transactions *(this sub-item was changed by the Exchange Council January 8, 2009)*.

23. It is allowed to change parameters (closing date or closing price) of a nego repo closing deal (except as provided in the second and third passages of this item). For this agents of this transaction must change in the trading system closing deal parameters, which will be



considered to be changed solely on conditions of confirmation of such changes by both transaction agents and corresponding Confirmation system members (in case Confirmation system-controlled trading accounts are used for execution of this transaction).

Nego repo transaction terms may not be extended if the loaned securities have been removed from the Exchange.

It is prohibited to extend nego repo transaction terms in breach of the first passage of item 10 hereof.

A term of an auto repo transaction may not be extended.

*(This item was supplemented by the Exchange Council decisions of December 3, 2003 and January 20, 2006, and changed by the Exchange Council decisions of October 20, 2004 and January 8, 2009).*

24. Repo agents, by common agreement, may annul an unexecuted closing deal (except as provided in the second passage of this item). For this, the agents must submit to the Exchange written requests on annulment of an unexecuted closing deal, signed by persons enjoying the right of the first and second signatures on behalf of the agents in accordance with notarially verified signature and stamp sample cards available at the Exchange, and verified with their stamps. At that, if Confirmation system controlled trading accounts had to be used for execution of an annulled deal; the Exchange must be additionally provided with written accords on the annulment from corresponding members of the Confirmation system.

Partial annulment of an unexecuted closing deal related to a nego repo transaction is prohibited.

*(This item was supplemented by the Exchange Council decision of January 20, 2006 and changed by the Exchange Council decision of January 8, 2009).*

25. Loaned securities may be replaced with other securities in auto repo transactions, if a repo seller can not fulfill its obligations on an opening deal due to absence or shortage of securities (repo subject). The securities must be replaced before an opening deal, on initiative of a repo seller, with consent of a repo buyer and provided the buyer's account with the Central Securities Depository allows for crediting the securities proposed as the new repo subject *(this passage was changed by the Exchange Council decision on January 8, 2009).*

The possibility of replacement of loaned securities with other loaned securities, and the securities that may be used for such replacement are determined in compliance with Exchange internal document "Specification of Automatic Repo Market".

26. The Exchange provides the Central Securities Depository with the data in accordance with its internal documents (order, notification):
- 1) on a repo closing deal, parameters of which were changed in accordance with item 23 hereof – on the factual day of the deal execution;
  - 2) on a repo closing deal annulled in accordance with item 24 hereof – on the annulment day;
  - 3) on a repo transaction where loaned securities were replaced with other securities in compliance with item 25 hereof, – on the execution day of an opening deal related to this transaction.

#### **Chapter 4. RESPONSIBILITIES OF REPO TRANSACTION AGENTS. DISPUTES AND CONFLICTS**

27. In case of disruption of a repo transaction on an opening date as a result of failure of a transaction agent (a guilty party) on his obligations on execution of an opening deal related to this repo transaction (except when loaned securities have been replaced with other securities in compliance with item 25 hereof) *(this paragraph was supplemented by the Exchange Council decision of October 15, 2008 and changed by the Exchange Council decision of January 8, 2009):*

- 1) the repo opening deal is considered to be cancelled;

- 2) the closing deal related to this repo transaction is annulled automatically and deleted from the trading system *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*;
  - 3) a guilty party of the repo transaction must pay as a forfeit 0.1 % of the sum of the cancelled repo opening deal to the other agent *(this sub-item was changed by the Exchange Council decisions of August 28, 2008, October 15, 2008 and January 8, 2009)*;
  - 4) a guilty party must pay the Exchange full sum of commissions accrued on this repo transaction (including those for the other agent) *(this sub-item was changed by the Exchange Council decisions of October 15, 2008 and January 8, 2009)*.
28. Should a repo buyer deny the repo subject replacement in accordance with item 25 hereof;
- 1) the opening deal related to the repo transaction is considered as cancelled *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*;
  - 2) the closing deal related to the repo transaction is annulled automatically and deleted from the trading system *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*;
  - 3) this repo buyer is not entitled to require the payment of any losses or forfeit in his favor *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*;
  - 4) the repo seller must pay the Exchange the full amount of commissions accrued on the repo transaction (including those for the repo purchaser) *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*.
29. In case of disruption of a nego repo transaction on the closing date due to a failure of a repo agent (a guilty party) on obligations on the closing deal related to the repo transaction *(this paragraph was changed by the Exchange Council decision of January 8, 2009)*:
- 1) the deal shall be considered to be cancelled;
  - 2) the guilty party must pay to the affected party a forfeit calculated in accordance with the Agreement on the general terms of execution of nego repo transactions and to pay the Exchange full sum of commissions accrued on the transaction (including for the affected agent).
- At that the affected party may in accordance with the Kazakhstan legislation and Exchange internal documents seek to collect from the guilty party the full amount of losses in addition to the forfeit.
- (This item was complimented by the Exchange Council decision on December 30, 2003 and changed by the Exchange Council decisions dated October 15, 2008, January 8 and May 28, 2009).*
- 29–1. *(this item was included by the Exchange Council decision of December 30, 2003, changed by the Exchange Council decision of August 28, 2008 and supplemented by the Exchange Council decision of October 15, 2008 and changed by the Exchange Council decision of January 8, 2009, deleted by the Exchange Council decision of May 28, 2009).*
30. In case of disruption of an auto repo transaction on the closing date due to a failure of a repo agent (a guilty party) on obligations on the closing deal related to the repo transaction *(this paragraph was supplemented by the Exchange Council decision of October 15, 2008 and changed by the Exchange Council decision of January 8, 2009)*:
- 1) the deal is considered to be cancelled;
  - 2) the repo subject is unlocked and may be traded and pledged by the repo buyer;
  - 3) a guilty party must pay the full amount of commissions accrued on the repo transaction to the Exchange (including those for the counteragent) *(this sub-item was supplemented by the Exchange Council decisions of October 15, 2008 and January 8, 2009)*;
  - 4) the other agent of the repo transaction may not require payment of any losses or forfeit in his favor *(this sub-item was changed by the Exchange Council decision of January 8, 2009)*.

## Rules of Repo Transactions

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31. The Exchange Council may strip the repo transaction agent, guilty of non-fulfillment, incomplete or untimely fulfillment of his obligations on the closing deal related to the repo transaction, off the Exchange membership in all categories (*this item was changed by the Exchange Council decisions of October 15, 2008 and January 8, 2009*).
32. Disputes and contradictions between repo transaction agent and between repo transaction agents and the Exchange on opening and closing repo deals are subject to resolution by way of negotiations, and in case of failure to come to mutual decision – by the Exchange Arbitration Commission.

President

A. Joldasbekov

**Appendix 1**

to Rules on Repo  
Transactions

*(This Appendix was included by the Exchange Council decision on May 28, 2009).*

**AGREEMENT**

**General Terms of Execution of Nego Repo Transactions**

This Agreement is an integral part of the Rules on Repo Transactions and defines procedures of nego repo transactions and fulfillment of obligations thereon, measures on mitigation of risks of default of repo agents', and liability for improper fulfillment of responsibilities.

**Chapter 1. GENERAL PROVISIONS**

1. For purposes of this Agreement a repo transaction shall mean a repo transaction executed directly as specified in the Rules on Repo Transactions.
2. Terms of this Agreement are binding and cover nego repo transactions executed in the Exchange trading system.
3. Concepts used herein shall mean the following:

- 1) **"upper revaluation"** – an order set by this Agreement in accordance with which a repo seller may revalue obligations on a repo closing deal should the loaned securities' price increase beyond the set limit.

Upper revaluation is made for purposes of mitigation of risks of default of the repo buyer on the closing deal;

- 1-1) **"Bilateral agreement"** – an agreement in the written form (without use of the Trading system) between repo agents, setting rights and responsibilities on the repo transaction not covered in this Agreement *(this sub-item was included by the Exchange Council decision of October 1, 2009)*;
- 2) **"shortage of compensation package"** – a value, in percent, showing correlation of the current price of loaned securities at a certain date with account of collateral ratio and the sum of an opening deal and compensation packages transferred by repo agents as on this date;
- 3) **"admissible level of risk"** – admissible deviation of the market price of loaned securities, in percent, agreed by repo agents on the repo transaction execution, at which upper or lower revaluation must be made;
- 4) **"income"** – income paid on securities (for example, dividend or accrued interest);
- 5) **"compensation payment"** – money, transferred by a repo seller or repo buyer at execution of lower or upper revaluation in accordance with section 3 hereof;
- 6) **"collateral ratio"** – a negative or positive value in percent, set by agents on the repo transaction opening date, showing an adjustment to the repo transaction market price. Positive value is set, if loaned securities are estimated with premium in relation to the market price, negative – if with discount;
- 7) **"Securities valuation methodology"** – the Securities valuation methodology, approved by

the Board of Kazakhstan Stock Exchange on February 19, 2003, decision No. 22/0;

- 8) **"module of shortage of compensation payment"** – a positive value, corresponding to absolute value (module) of shortage of compensation payment;
- 9) **"lower revaluation"** – the order set hereby, in accordance with which the repo buyer in case of decrease of the market price of loaned securities below the specified level, may revalue obligations on the repo closing deal.

The lower revaluation is executed for purposes of mitigation of risk of default of the seller on closing deal obligations;

- 10) **"current market value"** – the price of loaned securities, calculated as a product of the sum of a security market price and accrued, but not paid interest as on the date of calculation of the current market value, and the amount of loaned securities;
  - 11) **"market price"** – price of securities, used for calculations based on this agreement, determined in accordance with the Securities valuation methodology;
  - 12) **"business day"** – a business day in accordance with Kazakhstan legislation;
  - 13) **"repo rate"** – a repo transaction parameter, set by repo transaction agents, used for calculation of the closing deal sum at its early execution in the cases specified herein, and for accrual of interest on compensation payment in accordance herewith.
4. Concepts, used herein, not defined in this chapter, shall be interpreted in accordance with the Rules on Repo Transactions and other Exchange internal documents.
  5. Monetary values in accordance herewith shall be calculated within the second decimal according to rules of arithmetic rounding.

**Chapter 2. SEQUENCE OF REPO TRANSACTIONS  
AND COMPLIANCE WITH OBLIGATIONS. PARAMETERS OF REPO TRANSACTIONS.**

6. Sequence of repo transactions (conclusion of repo opening and closing deals, compliance with obligations thereon) is determined with the Rules on Repo Transactions.
7. In accordance herewith a repo transaction agent may execute repo transactions in the interests of the third party solely on the basis of a commission agreement.
8. Repo transaction conditions (parameters) are determined by repo agents through submission of an order to the Exchange trading system.
9. The following formulas apply when calculating repo transaction parameters:

- 1) opening price:

$$P_o = (P_m + I_{acc}) \times (1 + k/100), \text{ where}$$

- $P_o$  – repo transaction opening price;
- $P_m$  – market price of loaned securities as on the repo transaction opening date;
- $I_{acc}$  – accrued, but not paid interest (if applicable);
- $k$  – collateral ratio in percent (with account of symbol (negative/positive));

- 2) the amount of closing deal at early execution in accordance with items 33, 39 and 44 hereof:

$$Q_{cn} = Q_o \times (1 + R \times n / (T_o \times 100)), \text{ where}$$

- $Q_{cn}$  – the amount of repo closing deal at early execution;
- $Q_o$  – the amount of repo opening deal;
- $R$  – at early execution of a closing deal in accordance with items 33 and 39 hereof – repo rate in percent (with account to symbol); at early execution of a closing deal in accordance with item 44 hereof – repo rate in percent (with account to symbol) plus 5 % (if the guilty party is the seller) or repo rate in percent (with account to symbol) minus 5 % (if the guilty party is the buyer);

n – days from the opening date of the repo transaction (not included in the calculation) till the closing date inclusively;

T<sub>o</sub> – actual number of days in the calendar year (365 or 366);

3) repo rate:

$$R = \frac{(P_c - P_o) \times T_o}{n \times P_o} \times 100\%, \text{ where}$$

R – rate on repo transaction in percent (with account to symbol);

n – days from an opening date of the repo transaction to a closing date (the closing date is included in the calculation, and the opening date is not);

P<sub>o</sub> – repo transaction opening price;

P<sub>c</sub> – repo transaction closing price;

T<sub>o</sub> – actual number of days in the calendar year (365 or 366).

- 10 If on a certain date the repo agents must pay on their obligations on the repo transaction, the counterclaims shall be cross charged.
11. At early execution of the repo closing deal in accordance with items 33 and 39, the repo transactions agent requiring early execution of the closing deal, shall send a corresponding requirement to the other agent of the repo transaction. At that:
  - 1) repo transaction agents must fulfill their obligations before the third business day following the receipt of a claim;
  - 2) the early executed repo transaction will be considered to be closed on the day of agents' actual fulfillment of their obligations on the closing deal, but before the third business day following the day of receipt of the claim by another agent;
  - 3) the amount of the closing deal on early executed repo transactions will be recalculated in accordance with sub-item 2) of item 9 hereof.
12. At early execution of the closing repo deal in accordance with item 44 hereof the repo agent requiring early execution of the closing deal shall send a corresponding requirement to the other repo agent. At that:
  - 1) the requirement must be sent before 12:30 Almaty time of the day following the day set for the other agent's fulfillment of obligations on transfer of compensation payment;
  - 2) the day of receipt of the claim by the other agent will be considered to be the closing date of the early executed repo transaction;
  - 3) the amount of a closing deal on early executed repo transactions will be recalculated in accordance with sub-item 2) of item 9 hereof.
13. The requirement on early execution of a closing deal shall be sent to by a repo agent through submission of a corresponding form in the Exchange trading system.
14. The date of receipt of the claim of early execution of a closing deal will be the date of registration of the claim in the Exchange trading system.

### **Chapter 3. REVALUATION OF OBLIGATIONS ON REPO TRANSACTIONS**

15. To mitigate risk of default of repo agents on closing deals, repo agents, in case of circumstances specified in item 16 hereof, shall revalue obligations on a corresponding repo transaction at lower or upper level.
16. It is the case of lower or upper revaluation, if during the repo transaction term a repo agent has module of shortage of compensation payment reaching or exceeding admissible level of risk, set by agents for such repo transaction. At that shortage of compensation payment is a negative value, it is the case of lower revaluation, if positive – upper revaluation.
17. Shortage of compensation payment shall be calculated according to formula:

## Rules of Repo Transactions

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$$DKP = \left( \frac{Q_m \times (1 + k/100)}{Q_o + KP_b - KP_s} - 1 \right) \times 100\%, \text{ where}$$

- $Q_o$  – sum of an opening deal;
- $k$  – collateral ratio in percent (with account to symbol). For purposes of item 42 hereof value of  $k$  shall be considered as 0;
- $KP_b$  – sum of compensation payments, transferred by a repo buyer and returned by a repo seller;
- $KP_s$  – sum of compensation payments, transferred by a repo seller and not returned by a repo buyer;
- $Q_m$  – current market value of loaned securities as on the date of calculation of shortage of compensation package.
18. At lower revaluation, a repo buyer may send to a repo seller a requirement on transfer of a compensation payment.
19. The necessity for lower revaluation shall be defined with the trading system automatically with immediate notification issued within the trading system to a repo buyer.
20. At upper revaluation, a repo seller may send to a repo buyer a requirement on transfer of a compensation payment.
21. The necessity for upper revaluation shall be defined with the trading system automatically with immediate notification issued within the trading system to a repo seller.
22. The sum of a compensation payment shall be determined according to a formula:

$$KP = (DKP_{mdl} / 100) \times (Q_o + KP_b - KP_s), \text{ where}$$

- $KP$  – sum of compensation payment to be transferred;
- $DKP_{mdl}$  – module of shortage of compensation payment in percent;
- $Q_o$  – sum of an opening deal;
- $KP_b$  – sum of compensation payments, transferred by a repo buyer and not returned by a repo seller;
- $KP_s$  – sum of compensation payments, transferred by a repo seller and not returned by a repo buyer.
23. If a repo agent, who is facing a compensation payment transfer requirement, earlier had received compensation payments on this repo transaction from the second repo agent, the compensation payment transferred thereby in accordance with the requirement shall include:
- 1) the return to the second repo agent of received and not returned compensation payments (in the amount, not exceeding the compensation payment, defined in accordance with item 22 hereof);
  - 2) the compensation payment of a repo agent (in the amount of a difference between the compensation payment defined in accordance with item 22 hereof, and the sum of received from the second agent and not returned compensation payments).
24. A repo agent, facing a compensation payment transfer requirement in accordance with items 18 or 20 hereof, must transfer a compensation payment within the business day following the receipt of the requirement.
25. A requirement on compensation payment is sent by a repo agent through submission of a corresponding form in the Exchange trading system.
26. The date of registration of the requirement in the Exchange trading system is the day the repo agent has received the compensation payment requirement.
27. At repo seller fulfilling its obligations on a repo closing deal, including its early execution in accordance with items 33, 39, 44 and 47 hereof, sums of compensation payments, paid by a

- repo seller on the repo transaction, to which the closing deal is related, must be returned to a repo seller (in case they were not returned earlier in accordance with item 23 hereof).
28. At repo buyer fulfilling its obligations on a repo closing deal, including at its early execution in accordance with items 33, 39, 44 and 47 hereof, sums of compensation payments, paid by a repo buyer on the repo transaction, to which this closing deal is related, must be returned to a repo buyer (in case they were not returned earlier in accordance with item 23 hereof).
  29. A repo agent that had received compensation payment must pay a repo agent that transferred the compensation payment an interest accrued on the sum of the compensation payment on the repo rate for the period beginning the date of receipt of the compensation payment (not included in the calculation period) including the date of return.
  30. Compensation payment will be returned and interests will be paid for a total of compensation payments in accordance with items 27, 28 and 29 hereof on the date of compliance on obligations on the repo closing transaction, on which these compensation payments were transferred.
  31. If Confirmation-system controlled trading accounts must be used for execution of repo closing and opening deals, the compensation payments must be transferred only after receipt of confirmation messages through the Confirmation system.
  32. In case of annulment of a closing deal in accordance with Rules on repo transactions repo agents shall be released of obligations on the return of compensation payments paid on the repo transaction, to which this closing deal is related, and the interests thereon.
  33. If in accordance with the Securities valuation methodology the securities have not been market valued for two weeks during the repo transaction, any agent may demand the transaction to be executed earlier.

#### **Chapter 4. REPO AGENTS RIGHTS AND LIABILITIES AT ISSUER CONDUCTING CORPORATE ACTIONS**

34. If during the repo transaction the issuer of the loaned securities is redeeming the principal on the securities, the payment shall be considered to be a transfer of the compensation payment by a seller to a buyer in the amount equal to the sum of the payment and are regulated with chapter 3 hereof. The date of receipt of the compensation payment shall be the date of payment by the issuer.
35. If during the repo transaction the issuer of the loaned securities is paying income on the securities, then, provided, repo agents did not specify otherwise at conclusion of an opening deal in the Exchange trading system or in other bilateral agreement, the repo buyer must transfer to a repo seller the amount equal to the received income within ten days of the income payment *(this item was changed by the Exchange Council on October 1, 2009)*.
36. For purposes of item 35 hereof the sum of received income shall be calculated as the sum paid by the issuer with account to deductions made by the issuer or its payment agent and related to receipt of such income *(this item was changed by the Exchange Council on October 1, 2009)*.
37. *(This item was deleted by the Exchange Council on October 1, 2009)*.
38. In case at the moment of compilation of the list of persons, entitled to attend the meeting of shareholders of the issuer of loaned securities, the repo buyer will be included in such list, the right to attend the general meeting of shareholders and the right to vote on the loaned securities will belong to a repo buyer, unless specified otherwise by repo agents in the Bilateral agreement. For transfer of the right to attend the general meeting of shareholders and the right to vote on loaned securities the Bilateral agreement must specify that the repo buyer must provide a repo seller with a letter of trustee for participation in the general meeting of shareholders and the right of vote on the loaned securities *(this item was changed by the Exchange Council on October 1, 2009)*.
39. If during the repo transaction term the issuer of the loaned securities decides on reorganization (in any form), any repo agent may require early execution of the repo closing deals, where the securities of the reorganizing issuer are loaned.



40. If during the repo transaction term the issuer of the loaned securities decides on any other corporate actions which (may) result in origin of additional rights (liabilities) at one of the repo agents, such situation will be settled in accordance with the Bilateral agreement. If it is impossible to settle the issue, any repo agent may require the closing repo deals with the issuer's securities loaned be executed earlier (*this item was changed by the Exchange Council on October 1, 2009*).

#### Chapter 5. AGREEMENT VIOLATION LIABILITY

41. For purposes hereof the events mentioned below shall be considered an agreement violation, at that the repo agent that conceded the violation, shall be considered "the guilty party", and the other agent, accordingly, – "the affected party":
- 1) repo agent fails on or fulfills improperly (not in full and/or not in the determined term) payment obligations (including a transfer of compensation payment) and/or delivery of the loaned securities in accordance with the repo transaction under the agreement;
  - 2) repo agent fails on or fulfills improperly any other obligations on the repo transaction under the agreement.
42. Violation agreement, caused by failure or improper fulfillment of repo obligations on the repo transaction shall be settled in accordance with the Rules on repo transactions.
43. Violation agreement, caused by failure or improper fulfillment by a repo agent on their obligation on the closing deal shall be settled in accordance with the Rules on repo transactions. At that the amount of forfeit payable by the guilty agent, shall be determined as follows:
- 1) if the guilty agent is a repo seller and at that:
    - the value of shortage of compensation payment, calculated as on the day of cancellation of a closing deal in accordance with item 17 hereof, is negative, the forfeit payable is equal to the sum of compensation payment, calculated as on the date of cancellation of a closing deal in accordance with the terms of this agreement and interests, accrued on the sum of the opening deal on the rate, equal to repo rate (with account to symbol) plus 5 %, for the period from the date of the repo opening (not included in the calculation) through the date of cancellation of the closing deal inclusively;
    - the value of shortage of compensation payment, calculated on the date of cancellation of a closing deal in accordance with item 17 hereof, is positive or equal to 0, the sum of forfeit payable is equal to the interest accrued on the opening deal on the rate, equal to repo rate (with account to symbol) plus 5 %, for the period from the repo opening date (not included in the calculation) through the date of cancellation of the deal inclusively;
  - 2) if the guilty party is a repo buyer and at that:
    - the value of shortage of compensation payment, calculated as on the date of cancellation of a closing deal in accordance with item 17 hereof is positive, the sum of forfeit payable equals to the sum of compensation payment, calculated as on the date of cancellation of a closing deal in accordance with this agreement and interest, accrued on the sum of an opening deal on the rate, equal to repo rate (with account to symbol) plus 5 %, for the period from the date of repo opening (not included in the calculation) through the date of cancellation of a closing deal inclusively;
    - the value of shortage of compensation payment, calculated on the date of cancellation of a closing deal in accordance with item 17 hereof, is negative or equals to 0, the sum of forfeit payable equals to the sum of interest, accrued on the sum of an opening deal on the rate, equal to repo rate plus 5 %, for the period from the repo opening date (not included in the calculation) through the date of cancellation of a closing deal inclusively.
44. At cancellation of a closing deal due to repo agent's default, repo agents will be released from liability to return compensation payment paid thereby on the related repo transaction, and interest thereon.

45. In case of violation of the agreement through default or improper fulfillment of obligations by repo agents on transfer of compensation payment in accordance with item 24 hereof, the guilty party may unilaterally require early execution of a repo closing deal.
46. In case of violation of the agreement, through default or improper fulfillment of obligations on the repo transaction regarding transfer of a compensation payment and the interest on the sum of compensation payment in accordance with items 27, 28, 29 and 30 hereof, the guilty agent must pay the affected agent a forfeit in the amount of 0.15 % of non-fulfilled obligations for each day of delay.
47. In case of violation of the agreement a repo buyer's violation of the term on delivery of income to a repo seller, in accordance with item 35 hereof, the repo buyer must additionally pay the repo seller the interest on the sum of received income (interest on the current market value of the securities, received as income, as on the date of transfer of the income to a repo seller) on repo rate, set for the respective repo transaction, for the period of delay, beginning the eleventh business day following the day of income payment (*this item was changed by the Exchange Council on October 1, 2009*).
48. Money, received from the guilty party under the agreement, shall be sent to redeem their debt on money obligations in the following order:
  - 1) firstly, the sum of obligation is redeemed;
  - 2) secondly, the sum of forfeit payable due to default or improper fulfillment of obligations will be redeemed.

#### **Chapter 6. STATEMENTS AND WARRANTIES OF REPO AGENTS**

49. Repo agents state and guarantee:
  - 1) they have legal power to fulfill obligations assumed hereunder and repo transactions carried out under the agreement;
  - 2) fulfillment of terms hereof shall not entail violation of any other agreement, accord or consent, entered into by repo agents with third parties;
  - 3) they shall immediately inform each other on any changes in their statements specified in this article.
50. All statements, made by repo agents in item 48 hereof, shall be considered valid on the day of conclusion and during the term of this agreement, unless repo agents issue statements on respective changes.