

KAZAKHSTAN STOCK EXCHANGE

Agreed on

with the Committee on Control and
Supervision of Financial Market and Financial
Organizations of the National Bank of the
Republic of Kazakhstan

on December 27, 2013

Chairman of the Committee on Control and
Supervision of Financial Market and Financial
Organizations of the National Bank of the
Republic of Kazakhstan

Approved

by the decision of Kazakhstan
Stock Exchange Board of Directors
(meeting minutes No. 29 of November 28,
2013)

Effective

as of February 10, 2014

K. KOZHAKHMETOV

RULES

of Providing Direct Access to Regulated Securities Market

Almaty

2013

These Rules have been developed in accordance with the legislation of the Republic of Kazakhstan and they set the terms and procedure of rendering by members of Kazakhstan Stock Exchange (hereinafter – the Exchange) of services involving provision to their clients of direct access to the regulated securities market (hereinafter – direct access).

Chapter 1. GENERAL PROVISIONS

1. In these Rules definitions determined by the legislation of the Republic of Kazakhstan and internal documents of the Exchange are used.
2. For purposes of these Rules the following designations are used therein:
 - 1) DMA-client¹ – a client of an Exchange member who intends to use or is using the DMA system for concluding by an Exchange member in his name of deals in the Exchange's trading system on behalf and/or at the account and/or in the interest of that client;
 - 2) DMA system – a set of hardware and software of an Exchange member who interacts with the Exchange's trading system and is designed for conclusion of deals in the Exchange's trading system based on orders drawn up based on client orders of DMA-clients;
 - 3) gateway – a gateway of the Exchange's trading system; a set of hardware and software designed to provide the DMA systems' interaction with the Exchange's trading system, including for transmission of data from the DMA system into the Exchange's trading system and receiving of data by the DMA system from Exchange's trading system.
3. The direct access means that:
 - 1) client orders are generated by DMA-clients independently (without direct participation of employees of Exchange members) with the use of DMA systems and are forwarded to Exchange members via DMA systems in the electronic form;
 - 2) Exchange members apply to client orders received through DMA systems the accelerated (as a rule, automated) procedures of registration, checking, verification, accounting and execution of client orders;
 - 3) orders for conclusion of deals in the Exchange's trading system based on client orders received by Exchange members through DMA systems and registered by themselves are generated by the DMA system automatically.
4. Client orders generated by DMA-clients with the use of DMA-systems, orders for conclusion of deals in the Exchange's trading system based on client orders received by Exchange members through DMA systems and registered by themselves, orders for deals concluded in the Exchange's trading system based on orders generated by DMA systems based on client orders received by Exchange members through DMA systems and registered by themselves are subject to the same norms of the legislation of the Republic of Kazakhstan and internal documents of the Exchange which are set in general for client orders, orders for conclusion of deals in the Exchange's trading system, deals (being) concluded in the Exchange's trading system (taking into account the particulars specified in item 5 of these Rules).

An Exchange member must ensure complete and timely execution of deals in financial instruments concluded in the Exchange's trading system at the account and on behalf of DMA-clients.
5. Orders for conclusion of deals in the Exchange's trading system based on client orders received by Exchange members through DMA systems and registered by themselves are registered in the Exchange's trading system as orders of Exchange members submitted by them on behalf and/or at the account and/or in the interest of DMA-clients.

¹ DMA – Direct Market Access.

6. For rendering of services on provision of direct access various DMA systems can be used, whether developed by the Exchange or its subsidiary, as well as – on behalf of the Exchange – those developed by Exchange members themselves or by third parties.

DMA systems, terms and procedure of their use must comply with requirements for DMA systems and their use set out in the internal document of the Exchange approved by a decision of its Management Board².

Permits of the Exchange for the use of DMA systems designed independently or by third parties are issued in accordance with chapter 2 of these Rules.

7. Exchange members render to their DMA-clients direct access services provided terms set by chapter 3 of these Rules are observed.

Chapter 2. PERMISSION TO USE DMA SYSTEMS

8. The Exchange free of charge counsels its members and provides them with information on issues concerning connection of existing and being developed DMA systems to the Exchange's trading system through existing gateways.
9. Prior to submitting an application to the Exchange for issue of a permission to use a DMA system, an Exchange member must appoint his employees (including at least one executive and at least one employee of the trade department) as persons whose responsibilities include ensuring of interaction with the Exchange on issues of provision of direct access and compliance with norms of these Rules and requirements specified in item 6 hereof.
10. To obtain permission from the Exchange to use a DMA system designed by the Exchange or its subsidiary, an Exchange member must provide it with an application for issue of a permission to use that system according to the form of appendix 1 hereto.
11. To obtain permission from the Exchange to use a DMA system designed by themselves or third parties, an Exchange member must provide to the Exchange the following documents:
- 1) an application for issue of a permission to use that system according to the form of appendix 1 hereto;
 - 2) a copy of the certificate of state registration of rights to that system as an object of copyright or other document certifying copyright to that system and containing details of:
that system's name;
that system's copyright holder's name;
the date and No. of registration of rights to that system as an object of copyright, the body which carried out that registration;
 - 3) (with regard to a DMA system designed by a third party) a copy of the agreement with the designer of that system on its use (taking into account the particulars specified in item 12 hereof);
 - 4) description of that system (taking into account the particulars specified in item 13 hereof);
 - 5) user guide of that system.
12. An agreement of an Exchange member on use of a DMA system designed by a third party must contain the following norms:
- 1) on terms and procedure of updating of that system by its designer for purposes of ensuring its compliance with requirements specified in item 6 hereof, and appropriate interaction of that system with the Exchange's set of hardware and software;

² Requirements for DMA systems of members of Kazakhstan Stock Exchange and their use, approved by decision of the Exchange's Management Board (meeting minutes No. 122 of August 12, 2013).

- 2) on the obligation of that system's designer to provide the Exchange member with its description (taking into account the particulars specified in item 13 hereof) and user guides designed for the Exchange member and his DMA-clients, as well as on keeping those descriptions and guidelines up to date;
 - 3) on provision to an Exchange member by that system's designer during the entire term of agreement of advice on issues of use of that system by the Exchange member and his DMA-clients.
13. The description of the DMA system, being used by an Exchange member must meet requirements specified in item 6 hereof.

14. An application for issue of permission to use the DMA system, received by the Exchange in accordance with item 10 hereof, is considered by the Exchange within 30 days from receipt.

An application for issue of permission to use the DMA system, received by the Exchange in accordance with item 11 hereof, is considered by the Exchange within 30 days from receipt of the last of documents which have to be provided to the Exchange in accordance with the mentioned item.

15. While the Exchange is considering an application for issue of permission to use the DMA system it may ask from the Exchange member submitting that application and he must provide to it any additional documents or data necessary for checking the compliance with requests mentioned in item 6 hereof.

In case the Exchange requests additional documents and/or data in accordance with paragraph one of this item the term of consideration of the application for issue of permission to use the DMA system specified in item 14 hereof, is accordingly extended for the duration of the interval between the day of such request and the day of receipt by the Exchange of additional documents and/or data according to such request.

16. The Exchange's decision to issue permission to use the DMA system is drawn up by decision of its Management Board.

The Exchange's decision to refuse permission to use the DMA system is drawn up by decision of a member of the Exchange's Management Board who supervises issues of arranging direct access (taking into account the particulars specified in item 17 hereof).

The Exchange in written notifies its member of issuing to him permission to use the DMA system (with sending such notification not later than the next working day after the day of decision-taking by the Exchange's Management Board on issuing such permission) or refusal to issue permission to use the DMA system (with indication of reasons for such refusal).

17. The member of the Exchange's Management Board supervising issues of organizing direct access may take a decision to refuse to issue permission to use the DMA system to an Exchange member for any of the following reasons:

- 1) incompliance of the Exchange member's application for issue of permission to use that system with the form specified by appendix 1 hereof;
- 2) failure of an Exchange member to provide to the Exchange any document out of those listed in item 11 hereof;
- 3) absence in the certificate of state registration of the rights to that system as an object of copyright or in another document certifying copyright to that system, whose copy was provided to the Exchange by its member in accordance with sub-item 2) of item 11 hereof, of any of data specified in the mentioned sub-item;
- 4) incompliance of the agreement with the designer of that system on its use whose copy was provided to the Exchange by its member in accordance with sub-item 3) of item 11 hereof, with any of the requirements specified in item 12 hereof;
- 5) incompliance of the description of that system provided to the Exchange by its member in accordance with sub-item 4) of item 11 hereof, with any of requirements for the description of a DMA system, specified by the internal document of the Exchange approved by a decision of its Management Board;

- 6) non-compliance of the user guide of that system provided to the Exchange by its member in accordance with sub-item 5) of item 11 hereof with the description of that system provided to the Exchange by its member in accordance with sub-item 4) of item 11 hereof;
 - 7) failure of the Exchange member to comply with norms of the legislation of the Republic of Kazakhstan and/or internal documents of the Exchange giving the Exchange's Management Board reasons to believe that use of that system by an Exchange member might damage property of its clients or the Exchange or in any other way infringe on interests of its clients of the Exchange.
18. The Exchange ensures as failure-free as possible operation of gateways used by Exchange members.

Chapter 3. RENDERING OF SERVICES ON PROVISION OF DIRECT ACCESS

19. An Exchange member may refuse to his DMA clients services on provision of direct access only after he receives from the Exchange permission to use the DMA system in accordance with chapter 2 hereof.
20. An Exchange member may render to his DMA-clients services on provision of direct access with regard only to those sectors of the securities market in which he has the right to take part in trades according to categories of his membership to the Exchange.

An Exchange member is prohibited to provide to a DMA-client or other person the right to transfer or provide direct access to third parties.

21. An Exchange member provides to his DMA-client direct access based on the agreement concluded between them on rendering of brokerage services which must meet requirements specified in item 6 hereof.
22. An Exchange member rendering services on provision of direct access must properly register his DMA-clients, their logins and passwords for signing in to the DMA system (systems) and ensure updating of such registering.

Based on data of the mentioned registering the Exchange member rendering services on provision of direct access must provide to the Exchange data on his DMA-clients according to the form of appendix 2 hereof twice a year, as of July 1 and January 1 of each year, so that the Exchange receives those data no later than 18.00 o'clock (Almaty time) on July 30 and January 31 of each year, respectively, as well as provide such data to the Exchange upon its requests at any other time as at moments of time specified by the Exchange.

23. In case of a change in data earlier provided by the Exchange member in his application for issue permission to use the DMA system, he must by his letter drawn up in deliberate form notify the Exchange within three working days after such change.
24. For purposes of ensuring a failure-free operation of gateways, the Exchange may restrict the number of those orders for conclusion of deals in the Exchange's trading system generated by DMA systems based on client orders which are submitted to the Exchange's trading system during a certain time span through one gateway or the other.

The mentioned restrictions can be set by the member of the Exchange's Management Board supervising issues of organizing direct access with regard to all or particular Exchange members, depending upon which gateways they are using (taking into account the particulars specified in item 25 hereof).

The Exchange immediately notifies its members of setting the mentioned restrictions.

25. The member of the Exchange's Management Board supervising issues of organizing direct access may set restrictions specified in item 24 hereof, in the following cases:
- 1) when the combined number of orders for conclusion of deals in the Exchange's trading system generated by DMA systems based on client orders of DMA-clients, which are submitted to the Exchange's trading system within one second, exceeds the half of the

maximum allowed value of the number of orders, whose submission to the Exchange's trading system can be carried out within one second in accordance with software-technical characteristics of the Exchange's trading system (taking into account the particulars specified in item 26 hereof).

- 2) the use by an Exchange member of programs of algorithmic or high-frequency trading results of whose operations have caused or may cause damage to property of his clients or the Exchange or in another way infringed or may infringe interests of his clients or the Exchange, or have led or may lead to violation of norms of the Exchange's internal document "Rules of professional ethics and business conduct"³.
26. The maximum allowed value of the number of orders, whose submission to the Exchange's trading system can be carried out within one second in accordance with software-technical characteristics of the Exchange's trading system, is determined based on results of a load testing conducted by the Exchange upon change in the software and/or technical facilities of its trading system, and is indicated in the user guide of the Exchange's trading system published for free access on the Exchange's website with permission from the member of the Exchange's Management Board supervising issues of design and maintenance of the trading system.

Chapter 4. EXCHANGE'S CONTROL OF PROVISION OF DIRECT ACCESS. SPECIAL RIGHTS OF THE EXCHANGE REGARDING DIRECT ACCESS

27. The Exchange exercises control of provision by its members of direct access and for these purposes may:
- 1) request from Exchange members rendering services on provision of direct access any documents and data on terms and procedure or provision by Exchange members of direct access, on software, technical and other characteristics of DMA systems they use;
 - 2) request from Exchange members rendering services on provision of direct access any documents and data on their DMA-clients, necessary for evaluation of the quality of those services and evaluation of actions performed by Exchange members and their DMA-clients with the use of DMA systems, for compliance of such actions with norms of the legislation of the Republic of Kazakhstan and internal documents of the Exchange;
 - 3) at any time carry out special checks and/or testing of DMA systems used by Exchange members, as well as software-cryptographic means of data protection, means of data transmission used by Exchange members while providing direct access.
28. Exchange members rendering services on provision of direct access must provide to it any documents and data requested by the Exchange in accordance with sub-items 1) and 2) of item 27 hereof, as well as render to the Exchange every assistance required in terms of execution of special checks and/or testing in accordance with sub-item 3) of this item.
- The Exchange must notify the Exchange member of its intention to carry out a special check and/or testing in accordance with sub-item 3) of item 27 hereof not later than three working days before the beginning of such check (such testing).
29. In case based on results of an analysis of documents and data, based on results of special checks and/or testing received by the Exchange in accordance with items 27 and 28 hereof, facts of violation of norms of the legislation of the Republic of Kazakhstan and/or internal documents of the Exchange, drawbacks of the risk management system of the Exchange member and/or his DMA-clients will be detected, the Exchange may:
- 1) suspend or discontinue direct access of a particular DMA-client of that Exchange member (with the Exchange undertaking appropriate technical measures to ensure such suspension or discontinuation);

³ Approved by decision of the Exchange's Board of Directors (meeting minutes No. 10 of April 25, 2013).

- 2) suspend or ban the use by this Exchange member of a particular gateway (with the Exchange undertaking appropriate technical measures to ensure such suspension or ban);
 - 3) suspend the validity of permission to use a particular DMA system issued to this Exchange member or withdraw that permission (with the Exchange undertaking appropriate technical measures to ensure such suspension or withdrawal);
 - 4) undertake other enforcement actions in accordance with the Exchange's internal documents.
30. Apart from reasons stipulated by paragraph first of item 29 hereof, the Exchange may undertake measures out of those specified in sub-items 1)–3) of the mentioned item in case of changes in the legislation of the Republic of Kazakhstan and/or internal documents of the Exchange, which makes impossible further rendering by an Exchange member of services involving provision of direct access with regard to all or particular DMA-clients of that Exchange member.
31. A decision on applying an enforcement action in accordance with item 29 or 30 hereof is taken by the Management Board of the Exchange and it must contain an indication of reasons for taking such decision, as well as – if that decision provides for suspension of direct access of a particular DMA-client, suspension of the use of a particular gateway or suspension of validity of permission to use a particular DMA system – indication of the terms and conditions, under whose observance such access (such use, such validity) can be resumed.
- The Exchange in written notifies its member of applying to him an enforcement measure in accordance with item 29 or 30 hereof (with sending such notification not later than the next working day after the Exchange's Management Board took a decision on applying such measure).
32. In case an Exchange member has not removed the reason for the Exchange's Management Board taking a decision on suspension of direct access of a particular DMA-client, suspension of use of a particular gateway or suspension of validity of permission to use a particular DMA system, the Exchange may independently (based on a decision of its Management Board) discontinue direct access of such DMA-client, ban that Exchange member from using that gateway, withdraw from that Exchange member permission to use that DMA system.
33. Decision of the Exchange's Management Board indicated in item 31 or 32 hereof can be appealed by the Exchange member in the face of the Exchange's Board of Directors within 60 working days after the day of its taking. However, appealing that decision does not suspend its validity.
34. The Exchange may provide to the government body for supervision and control of the financial market and financial organizations upon its request or in accordance with requirements of the legislation of the Republic of Kazakhstan data on operations of all or particular members of the Exchange rendering services on provision of direct access, on DMA systems they use, as well as on their DMA-clients.

Chapter 5. FINAL PROVISIONS

35. With exceptions specified in item 36 hereof, documents and data subject to provision to the Exchange by its members in accordance with these Rules are provided by them in the electronic formats pdf, doc or xml by means of Exchange-approved transportation system of guaranteed delivery with the use of cryptographic protection means ensuring the changelessness and confidentiality of data being transmitted.
36. Documents subject to provision to the Exchange by its members in accordance with items 10, 11 and 23 hereof, are provided to the Exchange in hard copy and electronic storage devices.

With regard to documents and data subject to provision to the Exchange by its members following the Exchange's requests in accordance with items 15, 27 and 28 hereof, the Exchange may set other requirements for the procedure of provision than those specified in item 35 hereof. At the same time the Exchange may set requirements for design of such document and data.

37. An Exchange member carries responsibility for violation of any of requirements hereof, including responsibility for failure to execute, incomplete or untimely execution of liabilities on a deal concluded in the Exchange's trading system.
38. The Exchange on terms and according to the procedure set in its internal documents on operation of the trading system in the remote mode, does not carry responsibility for losses caused to Exchange members rendering services on provision of direct access, and their DMA-clients.
39. Issues not regulated by these Rules are solved in accordance with the legislation of the Republic of Kazakhstan, internal documents of the Exchange, as well as decisions of bodies and executives of the Exchange taken according to the set procedure within their authorities.

President

A. Joldasbekov

Appendix 1

to Rules of Providing
Direct Access to
Regulated Securities
Market

Kazakhstan Stock Exchange

APPLICATION
for issue of permission to use a DMA system

Hereby we state that [*full name of Exchange member*] intends to render to its clients services of providing direct access to the regulated securities market operated by Kazakhstan Stock Exchange (hereinafter – the Exchange), and for these purposes we ask you to issue permission to use the following DMA system (as this designation is determined by internal document of the Exchange "Rules of Providing Direct Access to Regulated Securities Market").

Name of DMA system

Name of designer / franchisor of
DMA system

Gateway for connecting DMA
system to trading system of the
Exchange (*tick*)

- transactional gateway FIX access library
 exchange module other (*specify*)

We confirm that we have been introduced to internal documents of the Exchange "Rules of Providing Direct Access to Regulated Securities Market" and "Requirements for DMA systems of members of Kazakhstan Stock Exchange and their operation", agree to them and undertake to comply with norms set out in the mentioned internal documents (including possible following changes and/or additions thereto). In addition, we undertake to introduce each DMA-client to the mentioned internal documents (including possible following changes and/or additions thereto).

We declare that the following employees of [*full name of Exchange member*] have been appointed by ourselves as persons whose employment duties include ensuring the interaction with the Exchange with regard to provision of direct access to the regulated securities market and compliance with norms of the mentioned internal documents of the Exchange.

	Employee 1	Employee 2	Employee 3
Position			
Surname, name, patronymic (if available)			
e-mail			
Office phone			
Office fax			
Mobile phone			

The following is attached to this application:

- 1) *(indicate the document name, its type (original, copy) and number of sheets);*
- 2) *(indicate the document name, its type (original, copy) and number of sheets);*
- 3) *(indicate the document name, its type (original, copy) and number of sheets).*

[Position]

[signature]

[surname, initials]⁴

[seal impression]

⁴ In accordance with the card of samples of signatures of executives of the Exchange member (whose authenticity has been confirmed by a notary public) and seal impression held by the Exchange.

Appendix 2

to Rules of Providing
Direct Access to
Regulated Securities
Market

DETAILS OF DMA-CLIENTS

[name of Exchange member] as of XX month XXXX year

No.	Country of origin	Individuals		Legal entities								TOTAL	
		total	including qualified investors	total	including								
					banks	brokerage and/or dealing organizations	pension funds	investment funds	insurance organizations	other qualification investors	other organizations		
A	B	1	2	3	4	5	6	7	8	9	10	11	
1	Citizens and organizations of the Republic of Kazakhstan												
2	Foreign citizens and organizations												
	Including:												
2.1	citizens and organizations <i>[indicate country]</i>												

Rules of Providing Direct Access to Regulated Securities Market

No.	Country of origin	Individuals		Legal entities								TOTAL	
		total	including qualified investors	total	including								
					banks	brokerage and/or dealing organizations	pension funds	investment funds	insurance organizations	other qualification investors	other organizations		
A	B	1	2	3	4	5	6	7	8	9	10	11	
2.2	citizens and organizations <i>[indicate country]</i>												
	TOTAL												

[position]

[signature]

[surname, initials]⁵

[seal impression]

⁵ In accordance with the card of samples of signatures of executives of the Exchange member (whose authenticity has been confirmed by a notary public) and seal impression held by the Exchange.