

KAZAKHSTAN STOCK EXCHANGE JSC

A p p r o v e d

by a decision of the Management Board
of Kazakhstan Stock Exchange JSC

(meeting minutes
No. 78 dated June 9, 2020)

Effective from

August 3, 2020

NOTICE

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

SPECIFICATION

of repo transactions carried out by the "automatic" method

Almaty

2020

List of amendments

1. Change No.1:

- approved by the decision of the Management Board of JSC "Kazakhstan Stock Exchange" (Minutes No. 134 dated December 15, 2021);
- Effective from December 20, 2021.

2. Change No. 2:

- approved by the decision of the Board of JSC "Kazakhstan Stock Exchange" (Minutes No.36 of the meeting of March 10, 2022);
- Effective from March 11, 2022.

3. Change No. 3:

- approved by the decision of the Board of JSC "Kazakhstan Stock Exchange" (Minutes No.88 of the meeting of July 18, 2022);
- Effective from August 22, 2022.

This Specification has been developed in compliance with the internal document of Kazakhstan Stock Exchange, JSC (hereinafter – the Exchange) called "Rules of execution of repo transactions in the trading and clearing system ASTS+" and defines basic characteristics of repo transactions, carried out by the "automatic" method.

Chapter 1. GENERAL PROVISIONS

1. This Specification uses concepts defined in the Rules of execution of repo transactions in the trading and clearing system ASTS+ and other internal documents of the Exchange.
 2. For the purposes of this Specification, a repo transaction is understood only as a repo transaction carried out by the "automatic" method.
 3. When performing repo transactions, it is allowed to use the Kazakh tenge or US dollar, depending on the trading mode in which such repo transactions are carried out.
 4. Depending on the trading mode, repo transactions are carried out using services of the central counterparty (hereinafter – with the CCP) and without using services of the central counterparty (hereinafter – without the CCP).
 5. As financial instruments, repo transactions are subdivided as follows:
 - 1) repo transactions with the same term, which are one financial instrument, regardless of the names of securities that are the subject of these repo transactions (hereinafter – the GS¹ basket with the CCP, the NBRK² basket with the CCP, the BSGP³ basket with the CCP and the GS basket without the CCP);
 - 2) repo transactions with regard to each particular name of securities with different terms, which are different financial instruments.
 - 5-1. The standardized terms of repo transactions carried out by the "automatic" method are:
 - 1) one, two, three, seven, 14 (fourteen), 30 (thirty), and 90 (ninety) days for repo transactions with the GS basket with the CCP and repo transactions with the BSGP basket with the CCP;
 - 2) one day for repo transactions with the NBK basket with the CCP;
 - 3) one, two, three, seven, 14 (fourteen), and 30 (thirty) days for repo transactions with the GS basket without the CCP, repo transactions with the CCP in respect of a particular type of securities (except for repo transactions with the CCP with GCC⁴), and repo transactions without the CCP in respect of separate securities with settlements in Kazakhstani tenge;
 - 4) one and seven days for repo transactions with the CCP in respect of separate securities with settlements in US dollars;
 - 5) one, two, three, seven, 14 (fourteen), 30 (thirty), 60 (sixty), and 90 (ninety) days for repo transactions with the CCP with GCC in Kazakhstani tenge;
 - 6) one, two, three, seven, 14 (fourteen), and 30 (thirty) days for repo transactions without the CCP in respect of separate securities with settlements in US dollars.
- (This item was included by a decision of the Exchange's Management Board dated 18 July of 2022)*
6. Participants in repo transactions can be clearing participants of the stock market who have the right to participate in trading in those securities that are allowed in accordance with this Specification and taking into account the specifics established by item 7 of this Specification.

¹ Designation of the combination of words "government securities".

² Designation of the combination of words "National Bank of the Republic of Kazakhstan".

³ Designation of the combination of words "Bonds of an issuer with a Share of Government Participation".

⁴ Designation of the combination of words "general collateral certificate" *(this footnote was included by a decision of the Exchange's Management Board dated 18 July of 2022)*.

7. When performing repo transactions with the NBRK basket, one of the parties is the National Bank of the Republic of Kazakhstan, the second party can be second-tier banks and Kazpost JSC, which are clearing participants of the stock market.

At the same time, the National Bank of the Republic of Kazakhstan announces firm quotations, other trading participants may conclude transactions only at quotations announced by the National Bank of the Republic of Kazakhstan.

8. Codes of repo transactions as financial instruments in the trading and clearing system are set in accordance with the Exchange's internal document "Instruction on the procedure of assigning codes to members of Kazakhstan Stock Exchange JSC and their accounts, users of trading systems, issuers of securities and financial instruments".
9. For the purposes of this Specification, ratings by Standard & Poor's or Moody's Investors Service and Fitch, or their subsidiaries (hereinafter – other rating agencies) are recognized.

If the issue of securities or their issuer has ratings from two or more rating agencies, then the worst of these ratings is taken into account.

Chapter 2. SUBJECT OF REPO TRANSACTIONS

10. As subjects of repo transactions with a GS basket with the CCP and with the NBRK basket with the CCP, securities of the following types may be used that meet the following conditions (taking into account the specifics established by items 15 and 16 of this Specification):
- 1) government securities of the Republic of Kazakhstan, issued by the Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan, and those in the "government securities" sector of the Exchange's official list;
 - 2) debt securities, which are in the official list of the Exchange, issued by international financial organizations, allowed for purchase in accordance with the laws of the Republic of Kazakhstan⁶, the nominal value of which does not exceed KZT1,000, or the amount of such value is equivalent to KZT1,000 in a foreign currency;
 - 3) debt securities, 100% of whose issuer's voting shares are owned by the National Bank of the Republic of Kazakhstan.
11. The following debt securities in the official list of the Exchange, denominated in KZT, the issuer of which is (taking into account the specifics set out in item 16 of this Specification), may be used as the subjects of repo transactions with the CDS basket with CCP:
- 1) national company of the Republic of Kazakhstan;
 - 2) an organization, 75 percent or more of the total number of outstanding shares or of the paid-up authorized capital of which is owned by the state, a national holding company or a national managing holding company;
 - 3) an organization, 75 percent or more of the total number of outstanding shares or of the paid-up authorized capital of which belongs to a subsidiary of a national holding company or a subsidiary of a national managing holding company.

(This item was changed by the decision of the Exchange Board of Directors on March 10, 2022)

12. The following can be used as subjects of repo transactions with regard to a particular name of securities with the CCP:
- 1) securities of the following types, which are in the official list of the Exchange (taking into account the specifics established by clause 16 of this Specification):
 - stocks;
 - debt securities;
 - securities of international financial institutions;
 - securities of investment funds;
 - units;

depository receipts;

foreign government securities in the "government securities" sector of the Exchange's official list;

- 2) general collateral certificates.

(This item was changed by a decision of the Exchange's Management Board dated 18 July of 2022)

13. As subjects of repo transactions with a GS basket without the CCP, securities of the following types can be used that meet the following conditions (taking into account the specifics established by item 15 of this Specification):

- 1) government securities of the Republic of Kazakhstan, issued by the Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan, and those in the "government securities" sector of the Exchange's official list;
- 2) debt securities issued by international financial institutions, permitted for acquisition in accordance with the laws of the Republic of Kazakhstan⁵, the face value of which does not exceed 1,000 tenge, or the amount of such value is equivalent to 1,000 tenge in a foreign currency, which are in the Exchange's official list, and whose issuer has a rating not lower than "BBB-" on the international scale of the rating agency Standard & Poor's or a rating of a similar level on the international scale of other rating agencies;
- 3) debt securities in the Exchange's official list, the issuer of which has a rating not lower than "BBB" on the international scale of the rating agency Standard & Poor's or a rating of a similar level on the international scale of other rating agencies and 100% of voting shares of which are owned by the National Bank of the Republic of Kazakhstan.

14. As subjects of repo transactions without CC with regard to a separate name of securities with the settlement currency Kazakhstani tenge may be used shares of the List T+, the conditions of inclusion in which are established by the Exchange internal document "Procedure for Inclusion of Financial Instruments in the List T+ and the List of Collateral T+". *(this item was changed by the decision of the Exchange Management Board of December 15, 2021).*

- 14-1. The following securities that are in the official list of the Exchange, the settlements on the trades of purchase and sale of which are made in U.S. dollars, may be used as the subjects of repo transactions without CC in respect of a separate title of securities with the settlement currency of U.S. dollars:

- 1) shares;
- 2) investment funds securities;
- 4) units;
- 5) depository receipts.

(This item was included by the decision of the Exchange Management Board of December 15, 2021)

15. Government long-term savings treasury bonds of the Republic of Kazakhstan (MEUJKAM) are not used as subjects of repo transactions during the entire period of their circulation.
16. Securities (excluding general collateral certificates) are allowed to be used as subjects of repo transactions with the CCP in the following cases *(this paragraph was changed by a decision of the Exchange's Management Board dated 18 July of 2022)*:
 - 1) the presence of securities in the List T+, the conditions of inclusion into which are established by the Exchange's internal document "Procedure of inclusion of financial instruments in the List T+ and Collateral List T+";

⁵ Item 1 of the Resolution No. 234 of the Board of the National Bank of the Republic of Kazakhstan "On establishing the list of international financial institutions whose bonds are acquired by banks and bank holdings, and requirements for bonds that are acquired by banks and bank holdings" dated November 29, 2017 *(the numbering of this footnote was changed by a decision of the Exchange's Management Board dated 18 July of 2022).*

- 2) the rate of coupon interest on bonds for the duration of the repo transaction is known.

Chapter 3. INCLUSION OF SECURITIES IN THE LIST OF SECURITIES APPROVED AS UNDERLYING ASSETS OF REPO TRANSACTIONS

17. Securities out of those specified in sub-items 2) and 3) of item 10, item 11, sub-item 1) of item 12 of this Specification are allowed to be used as subjects of repo transactions with the CCP from the day of their inclusion in the List T+ with the trading division establishing the necessary settings of the trading and clearing system according to the procedure specified in the Exchange's internal document *(this item was changed by a decision of the Exchange's Management Board dated 18 July of 2022)*.
- 17-1. Securities out of those specified in sub-items 2) of item 12 of this Specification are allowed to be used as subjects of repo transactions based on the decision of the Management Board on the formation of a collateral pool and the issuance of general collateral certificates within this collateral pool *(this item was included by a decision of the Exchange's Management Board dated 18 July of 2022)*.
18. Securities out of those specified in sub-item 1) of item 10 and sub-item 1) of item 13 of this Specification are allowed to be used as subjects of repo transactions with the GS basket with the CCP and the GS basket without the CCP as they are included in the Exchange's official list with the trading division establishing the necessary settings of the trading and clearing system at the same time as those performed when these securities are included in the Exchange's official list *(this item was changed by a decision of the Exchange's Management Board dated 18 July of 2022)*.
19. Securities out of those specified in sub-items 2) and 3) of item 13 of this Specification are allowed to be used as subjects of repo transactions with the GS basket without the CCP as they are included in the Exchange's official list after receiving a memo from the monitoring unit confirming compliance of the securities and their issuer with the conditions established by item 25 of this Specification, with the monitoring unit establishing the necessary settings of the trading and clearing system.
20. The securities indicated in item 14 of this Specification are allowed to be used as subjects of repo transactions without CCP with regard to a separate name of securities on the basis of the corresponding application of the Exchange member of the "stock" category and the memo prepared by the monitoring unit not later than the business day following the day of receipt of such application confirming the presence of the mentioned securities in the T+ List.
- The securities indicated in item 14-1 of this Specification are allowed to be used as subjects of repo transactions without CCP with regard to a separate name of securities on the basis of the corresponding application of the Exchange member of the "stock" category and the memo prepared by the monitoring unit not later than the business day following the day of receipt of such application, confirming compliance of the mentioned securities and their issuer with the conditions set forth in item 25 of this Specification *(this paragraph was included by decision of the Exchange Management Board of December 15, 2021)*.
21. The memo specified in items 19 and 20 hereof shall be coordinated with the members of the Exchange Management Board supervising the Monitoring and Trading Divisions.
- Trading Division shall adjust the Trading and Clearing System to ensure admission of securities specified in sub-items 2) and 3) of item 13 and items 14 and 14-1 of this Specification for use as the subjects of repo transactions without the CC, within three business days from the date of receipt of the memo from the Monitoring Division.
- If in respect of the named securities and/or their issuer the relevant conditions for use as the subject of repo transactions are not met without the CC, the monitoring division shall notify the Exchange member specified in clause 20 of this Specification by official letter on impossibility to use the named securities as the subject of repo transactions.
- (This item was changed by the decision of the Exchange Management Board of December 15, 2021)*
22. Securities used as subjects of repo transactions with a basket of securities are not allowed to be used as subjects of repo transactions with regard to a particular name of securities.

23. *(This item was excluded by a decision of the Exchange's Management Board dated 18 July of 2022).*
24. An application of a member of the Exchange on the use of securities of a particular denomination as subjects of repo transactions is drawn up in a deliberate form and must comply with the following requirements:
- 1) contains information about securities of this denomination, allowing the Exchange to uniquely identify them;
 - 2) signed by a person who has the right to sign on behalf of this member of the Exchange in accordance with the document with sample signatures (the authenticity of which is certified by an authorized employee of the Exchange or notarized), certified by the seal (if any) of this member of the Exchange.
25. Securities of any denomination are allowed to be used as subjects of repo transactions without CC, provided that *(this paragraph was changed by the decision of the Exchange Management Board of December 15, 2021)*:
- 1) in relation to the securities of this denomination, the applicable conditions from among those set forth in sub-items 2) and 3) of item 13 of this Specification are complied with;
 - 2) the rate of coupon interest on the bonds for the duration of the repo transaction is known
 - 3) the securities of this denomination and their issuer fully comply with the basic listing requirements⁵ of the category, sector and floor for which the securities of this denomination are in the official list of the Exchange;
 - 4) the securities of this denomination are not subject to the prohibition set forth in item 27 of this Specification;
 - 5) for the securities of this denomination, the settlement price is calculated in accordance with the Exchange's internal document "Methodology for Determination of Risk Parameters of Financial Instruments".
26. The norm established by sub-item 5) of item 25 does not apply to government securities of the Republic of Kazakhstan, issued by the Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan, which can be used as subjects of repo transactions in the absence of a settlement price.
27. Securities of any denomination out of those mentioned in sub-items 2) and 3) of item 13, item 14-1 of this Specification are prohibited for use as subjects of repo transactions without CC. 14 and 14-1 of this Specification of the types issued by any issuer under any of the following grounds *(this paragraph was changed by the decision of the Exchange Management Board of December 15, 2021)*:
- 1) this issuer has outstanding obligations with expired terms of performance to the holders of any securities issued by it;
 - 2) admittance initiator of admission of securities issued by this issuer had an obligation to the Exchange to provide financial statements of this issuer (including interim ones), which was not fulfilled within three months after the deadline set by the listing agreement;
 - 3) the securities admittance initiator, issued by this issuer, has an obligation to the Exchange to provide material information about this issuer and/or securities issued by it, subject to provision to the Exchange according to this article, not fulfilled within ten days after the deadline set by the Exchange internal document "Rules of Information Disclosure by Securities Admittance Initiators" *(this sub-item was changed by the decision of the Exchange Management Board of December 15, 2021)*.
28. Securities issued by an issuer cease to be subject to the prohibition established by item 27 of this Specification, upon removal by this issuer or initiator(s) of admission of securities issued by this issuer of the violation(s), due to which these securities became subject to the specified prohibition (taking into account the peculiarities established by the second paragraph of this item).
- If the securities issued by an issuer fell under the prohibition established by item 27 of this Specification on the ground, specified in sub-item 1) of item 27 of this Specification, they cease to

be subject to the said prohibition only after the Exchange receives documents confirming a complete fulfillment by this issuer of the respective obligations to the holders of the securities issued by him (including on forfeits, fines and penalties) provided for by the applicable laws, issue prospectuses of securities or other documents similar in purpose to issue prospectuses of securities), or any other full settlement of obligations by this issuer.

Chapter 4. DISCOUNTING OF SECURITIES USED AS A SUBJECT OF REPO TRANSACTIONS WITHOUT THE CCP

29. To determine the amount of the subject of a repo transaction, the exact amount of the opening deal, the opening and closing prices, as well as the amount of the closing deal of the repo transaction, the settlement prices of securities used as the subject of a repo transaction without the CCP, depending on the type of these securities, are discounted:
- 1) discount government securities (GS) denominated in tenge, issued by the Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan – by 3%;
 - 2) non-indexed government securities denominated in tenge, issued by the Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan with a fixed coupon rate, until whose maturity from the valuation date there are:
no more than three years – by 3%;
from three years and more – by 5%;
 - 3) government securities issued by the Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan, denominated in a foreign currency, or government securities issued by the Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan, denominated in the Kazakh tenge and indexed according to the level of change in the exchange rate of the tenge to a foreign currency, until the maturity of which from the date of valuation there are:
no more than 360 days – by 10%;
361 days and more – by 15%;
 - 4) GS denominated in tenge, issued by the Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan with an inflation-indexed coupon rate, until the maturity of which from the valuation date there are:
no more than 360 days – by 10%;
361 days and more – by 15%;
 - 5) debt securities issued by international financial institutions and permitted for purchase in accordance with the laws of the Republic of Kazakhstan, which are in the Exchange's official list of the and whose issuer rating is not lower than "AA" on the international scale of the rating agency Standard & Poor's or a rating of a similar level on the international scale of other rating agencies, until whose maturity from the valuation date there are:
no more than three years – by 3%;
from three and more years – by 5%;
 - 6) debt securities issued by international financial institutions and permitted for purchase in accordance with the legislation of the Republic of Kazakhstan, which are in the Exchange's official list of and whose issuer rating is rated from "AA-" to "BBB-" on the international scale of the rating agency Standard & Poor's or a rating of a similar level on the international scale of other rating agencies, until the maturity of which from the valuation date there are:
up to a year – by 5%;
from one to three years – by 10%;
from three and more years – by 20%;

- 7) debt securities, whose issuer has a rating not lower than "BBB" on the international scale of the rating agency Standard & Poor's or a rating of a similar level according to the international scale of other rating agencies and 100% of whose voting shares are owned by the National Bank of the Republic of Kazakhstan:
up to a year – by 5%;
from one year to three years – by 10%;
from three and more years – by 20%;
- 8) shares, securities of investment funds, units, depositary receipts - by 30%
(this sub-item was changed by the decision of the Exchange Management Board of December 15, 2021).
30. To determine the amount of the subject of a repo transaction, the exact amount of the opening deal, the closing price and the amount of the closing deal of the repo transaction in the absence of settlement prices of government securities issued by the Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan, are discounted:
no more than three years – by 10%;
from three years and more – by 20%.

Chapter 6. PROCEDURE OF REMOVAL OF SECURITIES FROM THOSE ALLOWED TO BE USED AS UNDERLYING ASSETS OF REPO TRANSACTIONS

31. Securities of a particular name (excluding general collateral certificates) shall be excluded from the list of those permitted for use as subjects of repo transactions with the CCP if any of the following grounds arise *(this paragraph was changed by a decision of the Exchange's Management Board dated 18 July of 2022)*:
 - 1) with regard to securities of this denomination, the applicable conditions from the number established by items 10-12 of this Specification ceased to be observed;
 - 2) securities of this name are excluded from the Exchange's official list.
- 31-1. General collateral certificates issued within any collateral pool shall be excluded from being allowed to use as subjects of repo transactions based on the decision of the Management Board on the termination of this collateral pool *(this item was included by a decision of the Exchange's Management Board dated 18 July of 2022)*.
32. Securities of a particular name are excluded from the list of those permitted for use as subjects of repo transactions without the CCP if any of the following grounds arise:
 - 1) with regard to securities of this denomination, the applicable conditions from the number established by items 14 and 25 of this Specification ceased to be observed;
 - 2) securities of this name are excluded from the Exchange's official list.
33. The exclusion of securities from the list of those permitted for use as subjects of repo transactions with the CCP on the basis specified in sub-item 1) of item 31 of this Specification is carried out on the basis of a memo from the division carrying out clearing activities in the following order:
 - 1) the trading unit, by establishing the necessary settings for the trading and clearing system, excludes securities of the respective names from the list of securities permitted for use as subjects of repo transactions with the CCP;
 - 2) on the day of exclusion of securities of particular names from the list of those permitted to be used as subjects of repo transactions with the CCP, the trading unit sends information about such securities to the information and statistics unit by e-mail.
34. Exclusion of securities from the list of those permitted for use as subjects of repo transactions on the basis indicated in sub-item 1) of item 32 of this Specification is carried out in the following order:

- 1) the monitoring unit, at least once a week, checks securities of all names permitted for use as subjects of repo transactions, for compliance with the conditions established by items 14 and 25 of this Specification, and, if any discrepancy is found, draws up a memo with information about such securities, coordinates it with members of the Exchange's Management Board of in charge of the monitoring unit, and the trading unit, and forwards to the trading unit;
 - 2) the trading unit, by establishing the necessary settings of the trading and clearing system, excludes securities of the respective names from the list of securities allowed for use as subjects of repo transactions on the basis of the memo specified in sub-item 1) of this item, no later than the next business day after receiving such memo;
 - 3) on the day of exclusion of securities of particular names from the list of those permitted to be used as subjects of repo transactions, the trading unit sends information about such securities to the information and statistics unit by e-mail.
35. Exclusion of securities from the list of those permitted for use as subjects of repo transactions on the grounds specified in sub-item 2) of item 31 and sub-item 2) of item 32 of this Specification is carried out in the following order:
- 1) the trading unit daily checks securities of all names permitted for use as subjects of repo transactions for compliance with the conditions established by sub-item 2) of item 31 and sub-item 2) of item 32 of this Specification, and upon detecting such fulfillment by establishing the necessary settings for trading the clearing system excludes securities of the respective names from the list of those permitted for such use;
 - 2) upon exclusion of securities of particular names from the list of those permitted for use as subjects of repo transactions, the trading unit sends by e-mail to the member of the Exchange's Management Board in charge of the trading unit, as well as to the information and statistics unit, the information about securities of these names;
 - 3) upon receipt of information in accordance with sub-item 2) of this item, the information and statistics unit performs the necessary subsequent action.
36. Exclusion of securities of particular name from the list of those allowed for use as subjects of repo transactions on the grounds specified in items 31 and 32 of this Specification, does not affect already opened repo transactions with securities of this name and does not exempt participants in these repo transactions from the execution of closing deals related to these repo transactions.
37. Securities excluded from the list of those permitted for use as subjects of repo transactions may be re-authorized for such use in the manner and under the conditions established by this Specification.

Chapter 7. FINAL PROVISIONS

38. Responsibility for the timely introduction of changes and/or additions (updating) to this Specification rests with the trading department.
39. This Specification is subject to updating as necessary, but at least once every three years, counted from the date of coming into effect of this Specification.

Chairperson of the Management Board

A. Aldambergen