

# 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

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 GS<sup>1</sup> basket with the CCP, the NBRK<sup>2</sup> basket with the CCP, the BSGP<sup>3</sup> 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.
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.
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):

---

<sup>1</sup> Designation of the combination of words "government securities".

<sup>2</sup> Designation of the combination of words "National Bank of the Republic of Kazakhstan".

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

- 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 Kazakhstan<sup>6</sup>, 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. As subjects of repo transactions with a BSGP basket with the CCP debt securities can be used, which are in the Exchange's official list, denominated in tenge, the issuer of which is a national company of the Republic of Kazakhstan, or an organization, 75 or more percent of the total number of outstanding shares or the paid authorized capital of which is owned by the state, a national holding or national managing holding (taking into account the specifics established by item 16 of this Specification).
12. Securities of the following types, which are in the official list of the Exchange (taking into account the specifics established by item 16 of this Specification), can be used as subjects of repo transactions with regard to a particular name of securities with the CCP:
- 1) stocks;
  - 2) debt securities;
  - 3) securities of international financial institutions;
  - 3) securities of investment funds;
  - 4) units;
  - 5) depositary receipts;
  - 6) foreign government securities in the "government securities" sector of the Exchange's official list;
  - 7) shares in the representative list of stock indices of other countries and included in the Exchange's official list.
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 Kazakhstan<sup>4</sup>, 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. Shares of the List T+ can be used as subjects of repo transactions without the CCP with regard to a particular name of securities, the conditions for inclusion into which are established by the

---

<sup>4</sup> 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.

Exchange's internal document "Procedure of including financial instruments in the List T+ and the Collateral List+".

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 are allowed to be used as subjects of repo transactions with the CCP in the following cases:
  - 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+";
  - 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 items 10–12 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.
18. Securities out of those specified in sub-item 1) 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 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.
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 specified in item 14 of this Specification are allowed to be used as subjects of repo transactions without the CCP in relation to a particular name of securities on the basis of a corresponding application of a member of the Exchange of the "stock" category and a memo prepared by the monitoring unit no later than the business day following the day of receipt of such an application confirming the presence of said securities in List T+.
21. The memo specified in items 19 and 20 of this Specification must be agreed upon with the members of the Exchange's Management Board in charge of the monitoring unit and the trading unit.

The trading unit carries out the settings of the trading and clearing system, allowing the admission of securities established by sub-items 2) and 3) of item 13 and item 14 of this Specification, for use as subjects of repo transactions without the CCP, within three working days from the date of receipt of the memo from the monitoring unit.

If the conditions applicable in item 14 of this Specification are not observed with regard to said securities, the monitoring unit shall notify the member of the Exchange specified in item 20 of this Specification by an official letter, about the impossibility of using said securities as the subject of repo transactions.

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. The standardized terms of repo transactions are established by the Rules of executing repo transactions in the trading and clearing system ASTS+ (taking into account the specifics established by the second paragraph of this item).

The standardized term of repo transactions with the NBRK basket is one day.

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 with a GS basket without the CCP, provided that:
- 1) with regard to securities of this denomination, the applicable conditions are observed from among those established by sub-items 2) and 3) of item 13 of this Specification;
  - 2) the rate of coupon interest on bonds for the duration of the repo transaction is known;
  - 3) securities of this name and their issuer fully comply with the basic listing requirements<sup>5</sup> of the category, sector and floor according to which securities of this name are quoted in the Exchange's official list;
  - 4) securities of this denomination are not subject to the prohibition established by item 27 of this Specification;
  - 5) on securities of this name, the settlement price is calculated in accordance with the Exchange's internal document "Methodology for determining the 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. It is prohibited to use securities of any name from the types specified in sub-items 2) and 3) of item 13 of this Specification, issued by an issuer, as subjects of repo transactions without the CCP in the event of any of the following grounds:
- 1) this issuer has unfulfilled obligations with expired performance dates towards the holders of any securities issued by him;
  - 2) the initiator of admission of securities issued by this issuer, has an obligation towards the Exchange on provision of financial statements of this issuer (including interim reports) not fulfilled within three months after the deadline established by the listing agreement;
  - 3) the initiator of admission of securities issued by this issuer has an obligation towards the Exchange to provide material information about this issuer and/or securities issued by him, subject to provision to the Exchange according to this article, not fulfilled within ten days after the period established by Article 18 of the Exchange's internal document "Listing Rules".
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

---

<sup>5</sup> Basic listing requirements – the requirements established by the laws of the Republic of Kazakhstan to issuers and securities issued by them for inclusion of securities in the Exchange's official list and their presence therein.

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 the 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 – by 30 %.

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 are excluded from the list of those permitted for use as subjects of repo transactions with 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 10-12 of this Specification ceased to be observed;

2) securities of this name are excluded from the Exchange's official list.

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