

KAZAKHSTAN STOCK EXCHANGE

Approved

by decision of Management Board
of Kazakhstan Stock Exchange

(meeting minutes No. 20 of
February 14, 2014)

Effective

as of March 3, 2014

SPECIFICATION **of Automatic Repo Market**

Almaty

2014

This Specification has been developed in compliance with the internal document of Kazakhstan Stock Exchange, JSC (hereinafter – the Exchange) "Rules of Repo Transactions Execution"¹, and it defines basic characteristics of the automatic repo market.

Chapter 1. GENERAL PROVISIONS

1. This Specification uses definitions defined in the Rules of Repo Transactions Execution and other internal documents of the Exchange.
2. For purposes hereof the repo transaction means only the repo transaction carried out by the "automatic" method.
3. Only one currency – the Kazakhstan tenge – may be used when carrying out repo transactions.
4. Repo transactions are generated as financial instruments in the following way:
 - 1) with the securities out of those mentioned in sub-item 1) of item 6 hereof – repo transactions with the same transaction term are one financial instrument regardless of titles of securities used as underlying assets in these repo transactions;
 - 2) with the securities out of those mentioned in sub-items 2)–5) of item 6 hereof – with regard to each separate title of securities repo transactions with different terms are different financial instruments.
5. Codes of repo transactions as financial instruments in the trading system are assigned in accordance with the Exchange's internal document "Instruction on Procedure of Coding of Members of Kazakhstan Stock Exchange, Financial Instruments and Securities Issuers"².

Chapter 2. SUBJECTS OF REPO TRANSACTIONS

6. Securities of the types mentioned below³ complying with the following terms (with exception specified by item 7 of this Specification, and taking into account peculiarities resulting from item 9 hereof) can be used as subjects of repo transactions:
 - 1) government securities of the Republic of Kazakhstan of any types, including securities issued in compliance with the legislation of countries other than the Republic of Kazakhstan (except for securities issued by local executive bodies of the Republic of Kazakhstan);
 - 2) securities issued by local executive bodies of the Republic of Kazakhstan and quoted in the "government securities sector" of the Exchange's official list;
 - 3) shares listed in the first category of the Exchange's official list;
 - 4) debt securities listed on the Exchange as Rated Debt Securities and rated "B-" or higher on the international scale of rating agency Standard & Poor's or a similar rating on the international scale of another rating agency⁴ or "kzB-" or higher on the national scale of rating agency Standard & Poor's;

¹ Approved by decision of the Exchange's Board of Directors (meeting minutes No. 4 of February 29, 2012).

² Approved by decision of the Exchange's Management Board (meeting minutes No. 158 of October 11, 2013).

³ Based on norms of item 37 of the Rules of execution of activities of the operator of trading in securities and other financial instruments approved by resolution No. 170 of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on October 29, 2008.

⁴ In accordance with item 35 of the Rules of execution of activities of the operator of trading in securities and other financial instruments approved by resolution No. 170 of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on October 29, 2008, "apart from ratings of agency "Standard & Poor's", the authorized body also recognizes ratings by "Moody's Investors Service" and "Fitch", or their subsidiary rating companies (hereinafter – other rating agencies)".

- 5) debt securities, listed on the Exchange in the first subcategory of Non-Rated Debt Securities category.
7. Government long-term savings treasury bills of the Republic of Kazakhstan (MEUJKAM) are not used as subjects of repo transactions during the first half of their circulation term.
8. Securities of any titles out of those mentioned in sub-item 1) of item 6 hereof can be used without taking any decision by the Exchange's Management Board, upon issue of such securities, by way of making by the Trade Department of necessary settings of the trading system, based on data provided by the Department of Information and Analysis, on issues of such securities.
9. Securities of a particular title out of those mentioned in sub-items 2)–5) item 6 hereof can be used as repo transactions' subjects, provided the Exchange's Management Board allowed such use of them.
10. The Exchange's Management Board takes a decision on the use of particular securities as repo transactions' subjects provided that:
 - 1) with regard to securities of that title applicable terms out of those set in sub-items 2)–5) of item 6 of this Specification are observed;
 - 2) securities of that title and their issuer fully comply with basis listing requirements⁵ of that category (sub-category), in which securities of that title are quoted on the Exchange;
 - 3) securities of that title are not subjects to the **ban** specified in item 11 hereof.
11. Securities of any titles out of those mentioned in sub-items 2)–5) of item 6 hereof issued by a particular issuer are not allowed to be used as repo transactions' subjects at appearance of any of the following grounds:
 - 1) that issuer faces unexecuted liabilities with expired execution terms towards holders of any securities he issued;
 - 2) the initiator of admission of securities issued by that issuer faces a liability to present financial statements (including interim) of that issuer to the Exchange he failed to execute within three months after the term specified in the listing agreement;
 - 3) the initiator of admission of securities issued by that issuer failed to execute within ten days after the term specified in article 29 of the Exchange's internal document "Listing Rules"⁶ the liability to present to the Exchange substantial information about that issuer and/or securities he issued, subject to presenting to the Exchange according to that article.
12. Securities issued by a particular issuer stop being subject to the ban specified in item 11 hereof provided that issuer or initiator(s) of admission of securities issued by that issuer removed the violation(s) caused imposing of ban on those securities (taking into account the peculiarity specified in paragraph two of this item).

In case securities issued by a particular issuer are subject to the ban specified in item 11 of this Specification, for the reason indicated in sub-item 1) of this item, they stop being subject to the ban, only when the Exchange received documents confirming a complete execution by that issuer of respective liabilities towards holders of securities he issued (including on penalties and fines, provided for by the current legislation, issue prospectuses of securities or other documents similar in their purpose to security issue prospectuses), or other complete settlement of liabilities by that issuer.
13. The Exchange's Management Board takes a decision on the use of particular securities as repo transactions' subjects based on a respective application from an Exchange member by category "stock market member" and internal note from the Monitoring division, which confirms compliance with terms set out in item 10 hereof.

⁵ Basis listing requirements – requirements set out by the legislation of the Republic of Kazakhstan for issuers and securities they issued for inclusion of securities in the Exchange's official list and their presence therein.

⁶ Approved by decision of the Exchange's Board of Directors (minutes No. 29 (3) of absentee voting of members of the Exchange's Board of Directors on November 5, 2009).

14. An application from an Exchange member for using particular securities as repo transactions' subjects is drawn in free form and must meet the following requirements:
 - 1) it must feature data on those securities allowing the Exchange to unanimously identify them;
 - 2) it must show terms of repo transactions in particular securities and the date of beginning of trades in such securities preferable for that Exchange member (taking into account particulars specified in items 15 and 16 of this Specification);
 - 3) it must be signed by the person who has the right of the first signature in the name of that Exchange member in accordance with the document it holds, e.g. signatures card (whose authenticity is certified by a notary public) and a stamp of that Exchange member;
 - 4) it must be received by the Exchange not later than 13.00 Almaty time of the last working day, preceding the date of trades in particular securities preferable for that Exchange member.
15. Standardized terms of repo transactions in securities out of those indicated in sub-item 1) of item 6 of this Specification make up Intraday⁷, one, two, three, seven, 14 and 28 days.

Standardized terms of repo transactions in securities out of those indicated in sub-items 2)–5) of item 6 of this Specification are determined by the same decision of the Exchange's Management Board according to which particular securities are allowed to be used as repo transactions' subjects, taking into account preferred terms of repo transactions indicated in the application of the Exchange member for such use. At the same time the total number of terms of repo transactions on particular securities must not exceed five, and the maximum term of a repo transaction on securities of that title must not exceed 30 days⁸.
16. The beginning date of trading in repo transactions in particular securities out of those indicated in sub-items 2)–5) of item 6 of this Specification are determined by the same decision of the Exchange's Management Board according to which particular securities are allowed to be used as repo transactions' subjects, taking into account the preferred beginning date of trading indicated in the application of the Exchange member for such use (taking into account particulars specified in items two and three of this item).

Trading in repo transactions in particular securities out of those indicated in sub-items 2)–5) of item 6 of this Specification is opened no earlier than the next working day after the Exchange received an application from its member for such use.

In case, the application from an Exchange member for using particular securities as repo transactions' subjects does not contain that Exchange member's preferred date of beginning of trading in repo transactions in particular securities, then the beginning date of that trading is determined by the Exchange's Management Board independently by its decision, according to which securities of that title are allowed to be used as repo transactions' subjects.
17. Securities out of those indicated in sub-items 2)–5) of item 6 of this Specification are excluded from the securities allowed to be used as repo transactions' subjects at emergence of any of the following grounds (taking into account particulars specified in items 18–21 of this Specification):
 - 1) repo transactions in particular securities have not been carried out for 90 consecutive calendar days;
 - 2) with regard to particular securities applicable terms out of those specified in sub-items 2)–5) of item 6 of this Specification have stopped being observed;
 - 3) securities of that title and/or their issuer no more comply with basis listing requirements of the category (sub-category), in which those securities are quoted on the Exchange (except for the basis listing requirement for availability of a market-maker for the securities);
 - 4) particular securities are subject to the ban specified in item 11 of this Specification.

⁷ Intraday – inside (within) one (working) day.

⁸ In accordance with item 39 of the Rules of execution of activities of the operator of trading in securities and other financial instruments approved by resolution No. 170 of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on October 29, 2008.

18. Removal of securities from those allowed to be used as repo transactions' subjects on the ground mentioned in sub-item 1) or 2) of item 17 of this Specification is carried out as follows:
 - 1) the Trade Department daily checks securities of all titles allowed by the Exchange's Management Board to be used as repo transactions' subjects for the availability of characteristics specified in sub-items 1) and 2) of item 17 of this Specification, and at detecting any of such characteristics, independently, without the Exchange's Management Board taking any decision, excludes securities of relevant titles from those allowed for such use;
 - 2) upon exclusion of particular securities from those allowed to be used as repo transactions' subjects the Trade Department by an internal note sends data on securities of those titles to the Exchange President (person acting for the Exchange President) for consideration;
 - 3) upon receiving the internal note in accordance with sub-item 2) of this item the Exchange President (person acting for the Exchange President) assigns a task to the Department of Information and Analysis Monitoring division of examining the contents of that note and executing necessary auctions; in addition, a copy of this note needs to be brought to attention of members of the Exchange's Management Board supervising the mentioned structural units of the Exchange);
 - 4) upon receiving a task in accordance with sub-item 3) of this item the Department of Information and Analysis and Monitoring division shall carry out necessary subsequent actions.
19. Removal of securities from those allowed to be used as repo transactions' subjects on the ground indicated in sub-item 3) or 4) of item 17 of this Specification is carried out as follows
 - 1) Monitoring division daily checks securities of all titles allowed by decisions of the Exchange's Management Board to be used as repo transactions' subjects for the availability of characteristics established in sub-items 3) and 4) of item 17 of this Specification, and at detection of any of such characteristics it submits by an internal note data on securities of respective titles to the Exchange's Management Board for consideration;
 - 2) upon receipt of the internal note in accordance with sub-item 1) of this item the Exchange's Management Board takes a decision on exclusion from those allowed to be used as repo transactions' subjects of those securities, data on which are given in that note, and it assigns a task to structural units of the Exchange to carry out necessary subsequent actions;
 - 3) upon receipt of an assignment in accordance with sub-item 2) of this item structural units of the Exchange carry out necessary subsequent actions.
20. Removal of securities from those allowed to be used as repo transactions' subjects on the ground indicated in sub-item 3) or 4) of item 17 of this Specification does not affect already opened repo transactions in particular securities and does not release participants of those transactions from execution of closing deals related to those repo transactions.
21. Procedures specified in item 18 or 19 of this Specification must be carried out on the same day.
22. Securities removed from those allowed to be used as repo transactions' subjects in accordance with item 17 of this Specification can be repeatedly allowed for such use according to the procedure specified in items 13–16 of this Specification.

Chapter 3. CALCULATION OF PARAMETERS OF REPO OPENING AND CLOSING TRANSACTIONS

23. The price of a repo opening transaction is equal to the price of the security defined in accordance with the Exchange's internal document "Methodology of securities Valuation"⁹.
24. The quantity of the subject of a repo transaction is calculated by the trading system automatically, based on the amount of the opening repo transaction, indicated by agents of the

⁹ Approved by a decision of the Exchange's Board of Directors (meeting minutes No. 7 of March 31, 2011).

repo transactions at its conclusion, and the price of opening repo transaction according to the formula:

$$K = \left[\frac{Q}{P_o} \right], \text{ where}$$

- K – quantity of the underlying asset of the repo transaction (in pieces);
- Q – sum of a repo opening deal (KZT), determined by repo agents at the conclusion;
- P_o – repo transaction opening price (KZT);
- [] – rounding up the result to the nearest integral value.

25. The exact sum of the repo opening deal is calculated by the trading system automatically based on the amount of loaned securities and the repo transaction opening price by formula:

$$Q_o = K \times P_o, \text{ where:}$$

- Q_o – the sum of the repo opening deal (KZT).

26. Repo transaction closing price is calculated by the trading system automatically based on the repo transaction yield, the repo transaction term and the repo transaction opening price by formula:

$$P_c = \left(\frac{I}{365} \times n \times \frac{P_o}{100} \right) + P_o, \text{ where}$$

- P_c – repo transaction closing price (KZT);
- I – repo transaction yield (APR);
- n – repo transaction term (days)¹⁰.

27. The sum of the repo closing deal is calculated by the trading system automatically based on the amount of underlying assets and the repo transaction closing price by formula:

$$Q_c = K \times P_c, \text{ where}$$

- Q_c – amount of repo closing deal (KZT).

28. In case the repo closing date falls on a day-off, the sum of the repo closing deal is automatically recalculated by the trading system based on the actual duration of the repo transaction term.

29. Prices of repo opening and closing deals are rounded by the trading system automatically to the fourth decimal, and the exact sum of the repo transaction and the sum of the repo closing deal to the second decimal place according to the mathematical rounding rules (digits up to five are reduced down to zero, and digits from five and over are increased up to ten).

Chapter 4. SUBSTITUTION OF ONE REPO TRANSACTION SUBJECT FOR ANOTHER

30. A substitution of one repo transaction subject for another can be carried out only in cases provided for in the Rules of Repo Transactions Execution, and according to terms specified in these Rules; at the same time:

- 1) if securities out of those indicated in sub-item 1) of item 6 of this Specification are used as the repo transaction subject being substituted, they can be substituted for any other securities out of those indicated in this sub-item;
- 2) if securities out of those indicated in sub-item 2)-5) of item 6 of this Specification are used as repo transaction subjects, then their substitution for securities of other titles is not allowed.

¹⁰ For a repo transaction with the term Intraday n is considered to be equal to one.

President

A. Joldasbekov