

KAZAKHSTAN STOCK EXCHANGE

PRESS RELEASE

Almaty

October 6, 2009

Legislative Innovations Related to Listing Requirements for Securities and their Issuers

On October 6, 2009, Kazakhstan Stock Exchange (KASE) held the press conference devoted to innovations in the legislation of the Republic of Kazakhstan on the securities market concerning listing issues on the domestic exchange.

At the press conference participated KASE Vice-President **Bulat Babenov**, Director of Department for Supervision of Securities Market Entities and Accumulative Pension Funds of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations **Mariya Khadjieva** and Deputy Board Chairman of the Regional Financial Center of Almaty **Aigul Tasbolat**.

The following listing requirements related innovations were discussed at the press conference: the new KASE official list category – the buffer category; implementation of KASE requirements to rating agencies; other important changes planned for introduction or already introduced to regulators listing requirements and KASE Listing Rules.

The financial market regulator representative – the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (AFS) M. Khadjieva explained reasons and goals of changes to the securities market legislation, made by AFS. Difficulties that Kazakhstan companies faced with as a result of the economic crisis nowadays ended up in significant number of defaults on their debt obligations. This situation required the regulator interference. As M. Khadjieva emphasized, based on such problems regulation experience on all largest global stock markets, the main stabilizing measure in such cases remains optimization of listing recruitments for certain securities category and their issuers to ensure for listed companies conditions that allow eliminating financial problems without delisting, if possible. In Kazakhstan AFS for such purposes decreased a requirement for capitalization of listed companies–issuers of non-rated debt securities and created for debt securities in the KASE official list a special buffer category.

According to M. Khadjieva creation of the buffer category is aimed at protection of defaulted listed companies' investors. Retention of company securities in the exchange official list shall allow investors tracking this company actions and judge on securities market value. "This will allow us retaining the market pricing", – said the AFS representative. Given this, as M. Khadjieva noted, if a company eliminates inconsistency with listing requirements during the set period (12 months) it returns to the KASE official list previous category.

Together with this KASE Vice-President Bulat Babenov specified that transfer to the buffer category is not actually guaranteed for all listed companies bonds. For securities transition to the mentioned category of a company, which does not comply with listing requirements, it must provide to the exchange the plan of measures on elimination of such inconsistency. "And only after consideration and approval of this plan by the KASE Listing Commission company securities shall be transferred to the buffer category", – said B. Babenov. In the presentation he showed the current statistics on listed companies defaults and explained the mechanism of defaulted companies to the KASE official list buffer category.

According to presented by B. Babenov data at present the list of defaulted listed companies contains 18 companies, including 3 companies, which defaulted payment of principal on their obligations. B. Babenov noted that on August 22, 2009 became effective changes and additions to the Board resolution of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations "On Requirements for Issuers and their Securities, Admitted (Admissible) to Circulation on the Stock Exchange, and certain Stock Exchange list categories" of

May 26, 2008 # 77, in compliance with which an issuer debt securities can be transferred to the KASE new buffer category in case of:

- inconsistency of securities and their issuer with this resolution requirements;
- an issuer default on its obligations interest payment (except the last coupon period interest);
- an issuer obligations restructuring.

KASE Vice-President shared experience of –listed companies securities transfer to the buffer category. On September 28, 2009 was held the KASE Listing Commission meeting as a result of which only 11 of 18 companies' securities were transferred to the buffer category. In spite of AFS assurance that these terms of transfer to this category was discussed with the market and elucidated on AFS official website over two months, not all issuers were ready KASE set ten days of measures plan submission. As a result at this Listing Commission meeting 16 companies submitted their plans, plans of 5 companies were rejected and their securities undergone delisting.

Concerning the reasons of issuers submitted measures plan rejection B. Babenov noted that instead of plans some companies submitted letters or documents, inconsistent with the legislation requirements.

At the press conference AFS and KASE representatives also shared with participants innovations related to coming into effect from January 1, 2010 of the mandatory requirement for securities credit rating of candidates for inclusion to the KASE official list.

Deputy Board Chairman of the Regional Financial Center of Almaty A. Tasbolat emphasized that above innovations to listing requirements are aimed at listing requirements improvement for their further application on the merged trading floor of Regional Financial Center of Almaty.