

KASE CLEARING CENTER JSC

A p p r o v e d

by decision of the Management Board of
KASE Clearing Center JSC

(minutes of the meeting
dated July 19, 2023 No. 19)

E f f e c t i v e

from July 19, 2023

PROCEDURE

for inclusion of financial instruments in T+ List and T+ Collateral List

Almaty City

2023

The procedure for including financial instruments in the T+ List and in the T+ Collateral List (hereinafter referred to as the Procedure) has been developed subject to the laws of the Republic of Kazakhstan and internal documents of KASE Clearing Center JSC (hereinafter referred to as the Clearing Center) and contains a description of the procedure for generation of a list of financial instruments admitted to transactions with the central counterparty on conditions of partial collateral (hereinafter referred to as T+ List), a list of financial instruments to be taken into account as a collateral for obligations under transactions with partial collateral (hereinafter referred to as the T+ Collateral List) as well as the conditions for inclusion of financial instruments in the T+ List and T+ Collateral List, and exceptions from these lists.

Article 1. General provisions

1. The Procedure uses concepts and terms defined by the laws of the Republic of Kazakhstan, internal documents of the Clearing Center “Rules for clearing activities under transactions with financial instruments” (hereinafter referred to as the Clearing Rules) and other internal documents of the Clearing Center.
2. The T+ List shall be formed from financial instruments admitted for circulation by Kazakhstan Stock Exchange JSC (hereinafter referred to as the Exchange) that meet the requirements of article 2 of the Procedure.

Financial instruments in the T+ List shall be allowed for transactions with partial collateral, for which the Clearing Center performs functions of the central counterparty.
3. The T+ Collateral List shall be formed from financial instruments of the T+ List that meet the requirements established by article 4 of the Procedure.
4. Decisions to include financial instruments in the T+ List and in the T+ Collateral List (hereinafter referred to as the Lists) shall be made by the Management Board of the Clearing Center in the manner prescribed by article 5 of the Procedure.
5. Financial instruments allowed for transactions with the central counterparty on conditions of partial collateral on exchange markets shall be:
 - on the foreign exchange market – currencies included in the “ T+ List”;
 - on the stock market – securities included in T+ List and currencies included in the T+ Collateral List, serving as a means of settlement for transactions with securities;
 - on the derivatives market – all derivative financial instruments for which trading is open by the Exchange.
6. Financial instruments accepted as collateral under transactions with the central counterparty carried out on conditions of partial collateral are:
 - on the foreign exchange market – currencies included in the T+ Collateral List;
 - on the stock market – securities and currencies included in the T+ Collateral List;
 - on the derivatives market – currencies included in the T+ Collateral List.

Article 2. Requirements for financial instruments for inclusion in the T+ List

1. In order to include a financial instrument in the T+ List and for the financial instrument to stay in the specified list, the financial instrument of a certain name must comply with:
 - 1) liquidity requirement established by clause 2 of this article;
 - 2) reliability requirement established by clause 3 of this article, taking into account specific features established by clause 4 of this article;

- 3) other requirements established by clause 5 of this article.
2. Compliance of the financial instrument with liquidity requirements shall be determined taking into account the following criteria:
 - 1) it is a share or a depositary receipt, or a security of an investment fund that has been on the list of first-class liquidity securities for at least two consecutive calendar months, approved subject to the internal document of the Exchange regulating the procedure for determining the liquidity indicators of securities;
 - 2) it is a government security issued by the Ministry of Finance of the Republic of Kazakhstan or the National Bank of the Republic of Kazakhstan;
 - 3) it is a bond with a volume of the placed issue of at least 5 (five) billion tenge for bonds issued subject to the laws of the Republic of Kazakhstan, or at least 35 (thirty five) billion tenge for bonds issued subject to the laws of foreign states;
 - 4) is a security admitted for circulation on the Exchange under a simplified procedure subject to the internal documents of the Exchange and has an LQA Liquidity Score provided by Bloomberg of at least 80;
 - 5) there is a market maker for this financial instrument;
 - 6) there is a written agreement with at least one trading participant on readiness to act as a provider for purchase/sale transactions with this financial instrument at the request of the Exchange;
 - 7) in relation to the financial instrument, there is a positive opinion from the unit responsible for managing liquidity of the central counterparty on the possibility of carrying out compulsory liquidation of outstanding obligations within the time limits established by the Clearing Rules, and a recommendation to include it in the T+ List.

If sub-clause 7) of this clause is observed and the financial instrument meets the other two criteria provided for by this article, the financial instrument shall be recognized as meeting the liquidity requirement.

3. Compliance of the financial instrument with the reliability requirement shall be determined taking into account distribution of securities listed on the Exchange into groups approved by the Market Risk Committee (hereinafter referred to as the Committee) based on an assessment of the risk level of the issuer of the security, carried out subject to the internal document of the Exchange regulating the procedure for assessing the risk level of issuers of securities listed on the Exchange.

Financial instrument shall be recognized as meeting the reliability requirement if it meets the following criteria:

- 1) in relation to foreign currencies – the sovereign rating of the issuing country (quantitative majority of countries using this currency as a means of payment) is higher than or equal to the sovereign rating of the Republic of Kazakhstan;
- 2) in relation to securities – the security is included in group 1 or group 2, or group 3 (securities with a level of reliability above average).
4. In relation to derivative financial instruments, compliance of the financial instrument only with the liquidity requirement subject to clause 2 of this article shall be checked.
5. Compliance of securities with other requirements shall be determined taking into account the following criteria:
 - 1) for government securities of the Republic of Kazakhstan – it is not a government long-term savings treasury obligation of the Republic of Kazakhstan (MEUZHKAM);

- 2) for bonds:
 - must be denominated in tenge or USF or in Euro or in British pounds or in Swiss francs or in Russian rubles;
 - must be traded at “net” prices;
 - must not be a perpetual or subordinated bond;
 - must not be a bond with an indexed par value;
 - 3) on the date of monitoring for compliance with the requirements for inclusion of financial instruments in the T+ List for 6 (six) consecutive calendar months preceding the date of the said monitoring, there are no cases provided for in sub-clauses 1) and/or 4) and/or 5) clause 10 of article 5 of the Procedure;
 - 4) on the date of monitoring for compliance with the requirements for inclusion of financial instruments in the T+ List, there are no cases provided for in sub-clauses 2) and/or 3) clause 10 article 5 of the Procedure.
6. On the basis of a decision of the Management Board of the Clearing Center, adopted subject to provisions of article 5 of the Procedure, a security of a certain name that does not meet the requirements provided for by clauses 2 and/or 3 of this article may be included in the T+ List, subject to the application of a multiplying factor as established by the Management Board of the Clearing Center when making a decision to include the specified security in the T+ List, applied to the calculated values of market risk rates for the specified security, when establishing such rates by the Committee.

Article 3. Conditions for establishing the signs of “prohibition of short sales” and “prohibition of unsecured purchases” for financial instruments

1. For financial instruments included in the T+ List, the Clearing Center shall have the right to establish the following signs:
 - 1) sign “prohibition of unsecured purchases”: it shall be set in relation to currency and shall mean that transactions with settlements in such currency are concluded with full coverage of arising obligations in such currency;
 - 2) sign “prohibition of short sales”: it shall be set in relation to a security and shall mean that transactions with such security are closed with full coverage of emerging obligations in such security.
2. Signs set out in clause 1 of this article shall be established on the basis of a decision of the Committee if one of the following conditions is met:
 - 1) the average daily total amount of foreign currency recorded in the clearing accounts of all clearing participants for the last calendar month and/or for the previous business day is below the concentration limit established for this foreign currency;
 - 2) the average daily total quantity of securities recorded in the clearing accounts of voluntary providers for the last calendar month and/or for the previous business day is below the concentration limit established for this financial instrument.
3. The clearing Center shall the right to establish the period of validity of the signs specified in clause 1 of this article, in this case:
 - 1) in case of determining only the start date of the sign, the sign shall be valid starting from this date and indefinitely;
 - 2) if validity period of the sign is established, the sign shall be valid from the start date of the validity period (inclusive) until the end date of the validity period (inclusive).

4. For securities included in the "KASE Global" sector of the "Mixed" platform of the official list of the Exchange, the sign "prohibition of short sales" can be established in case of occurrence of a corporate event seven business days before the date of the occurrence of the corporate event and shall remain in force until the date of completion of this corporate event inclusive.:

Article 4. Requirements for financial instruments for inclusion in the T+ Collateral List

1. In order for a financial instrument to be included in the T+ Collateral List and to be included in the specified list, such financial instrument must be included in the T+ List.
2. The financial instrument must satisfy the following additional liquidity criteria:
 - 1) in relation to the financial instrument, there is an analytical opinion of the unit responsible for managing the liquidity of the Central Counterparty on the possibility of forced liquidation of outstanding obligations within one trading day;
 - 2) in relation to foreign currency, value of the approved limit on concentration of such foreign currency is at least 10 (ten) billion tenge in equivalent.
3. On the basis of a decision of the Management Board of the Clearing Center taken subject to the procedure provided for in article 5 of the Procedure, a security of a certain name that does not meet the requirements established by clause 2 of this article can be accepted into the T+ Collateral List of the stock market, subject to application of an increasing coefficient established by the Management Board of the Clearing Center when deciding to include the specified security in the T+ Collateral List, applied to the calculated values of market risk rates for the specified security, when such rates are established by the Committee.

Article 5. The procedure for including financial instruments in the T+ List and the T+ Collateral List and the procedure for their exclusion from the lists.

1. The Clearing Center shall on a quarterly basis, no later than the last business day of the second month of the quarter, monitor compliance of financial instruments with requirements for their inclusion in the Lists and/or their stay in the Lists.
2. Based on monitoring results, the market risks division shall prepare an opinion on compliance of financial instruments with the requirements (hereinafter referred to as the Conclusion) and submit it for study to the authorized bodies of the Clearing Center subject to clause 4 of this article.
3. During preparation of the Conclusion, the market risk division shall have the right to request from other structural divisions of the Clearing Center and/or the Exchange additional information and documents necessary, in the opinion of the clearing division, to prepare a reasonable Opinion.
4. The Opinion shall set out information that serves as the basis for making a decision to include a financial instrument in the T+ List and/or in the T+ Collateral List, or to exclude the financial instrument from the Lists.
5. Inclusion of financial instruments in the Lists or exclusion of financial instruments from the Lists shall be carried out on the basis of a recommendation of the Committee by decision of the Management Board of the Clearing Center, adopted based on results of study of the Opinion prepared subject to clauses 2 – 4 of this article.

If it is necessary to promptly exclude a financial instrument from the Lists, the Management Board of the Clearing Center shall have the right to make this decision without recommendations of the Committee.

6. The Clearing Center shall have the right to include the financial instrument in the manner prescribed by clause 5 of this article, without observing the deadline established by clause 1 of this article:
 - 1) in the T+ List based on a request from the clearing participant executed in any form;
 - 2) in the T+ List and/or in the T+ Collateral List on the basis of an internal memo from other divisions of the Clearing Center and/or the Exchange involved in the process of admitting financial instruments to circulation in the trading systems of the Exchange;
 - 3) to the T+ Collateral List based on a request from the clearing participant executed in any form, provided that the specified financial instrument has been on the T+ List for at least thirty calendar days.e;
7. Inclusion of a government security of the Republic of Kazakhstan of a certain name that meets the requirements of article 2 (for T+ List) and/or article 4 of the Procedure (for T+ List Collateral) in the corresponding list shall be carried out automatically without presence of a recommendation from the Committee and adoption by the Management Board of the Clearing Center of the corresponding decisions from the date of opening of trading in the specified government security of the Republic of Kazakhstan.
8. The Clearing Center shall have the right to include in the T+ List and/or in the T+ List Collateral a non-government security of a certain name, issued by a certain issuer and meeting the requirements of article 2 (for T+ List) and/or article 4 of the Procedure (for T+ List Collateral), from the date of opening of trading in the specified non-government security, subject to a prior approval by the Committee, by general (framework) decision of the Management Board of the Clearing Center, provided that the specified security meets the following requirements:
 - 1) circulation period of the said security does not exceed one year;
 - 2) issuer of the specified security is an international financial organization with a rating not lower than the country rating of the Republic of Kazakhstan on the Standard & Poor's scale or a similar level on the Moody's Investors Service or Fitch scale;
 - 3) the specified security is a discount security;
 - 4) for the specified securities, the Clearing Center has a written confirmation of the clearing participant of the intention to become a liquidity provider for the specified securities.

The general (framework) decision of the Management Board of the Clearing Center set out in paragraph one of this clause must contain the name of the issuer that issued the specified securities, terms and conditions of issue and circulation of these securities, and other conditions that are essential for entry into force of the decision under consideration. Availability of the specified general (framework) decision of the Management Board on the possibility of inclusion in the T+ List and/or in the T+ Collateral List of a non-government security of a certain name, issued by a certain issuer and meeting the conditions specified in this clause, does not require further adoption by the Management Board of a separate decision on inclusion in the Lists of each such security subject to clause 5 of this article.
9. Inclusion of securities of the "KASE Global" sector of the "Mixed" platform of the official list of the Exchange in the corresponding list shall be carried out:
 - 1) in T+ List from the date of opening of trading in the specified securities based on a decision of the Management Board Exchange adopted upon inclusion of securities in the "KASE Global" sector of the "Mixed" platform of the official list of the Exchange, subject to the recommendation of the Committee;

- 2) in the T+ Collateral List based on a decision of the Management Board of the Clearing Center if there is a recommendation from the Committee in the following cases:
 - based on results of quarterly monitoring of financial instruments for compliance with requirements for their inclusion in the Lists and/or their stay in the Lists carried out after at least thirty calendar days from the date of opening of trading in the specified financial instrument, if the requirements of article 4 of the Procedure are met (for the T+ List Collateral);
 - based on an internal memo from the department responsible for managing the liquidity of the central counterparty, if there is the possibility of forced liquidation of outstanding obligations under a financial instrument within one trading day;
 - based on a request from a clearing participant executed in any form.
10. The Clearing Center shall have the right to exclude a financial instrument without observing the deadline established by clause 1 of this article from the T+ List and/or from the T+ Collateral List in the manner prescribed by clause 5 of this article, in the following cases:
 - 1) occurrence of cases of failure by the issuer of such financial instrument to discharge its obligations or upon receipt by the Clearing Center of information indicating deterioration in the financial condition of the issuer of such financial instrument, as a result of study of which the financial instrument ceased to meet the reliability criteria established by the Procedure;
 - 2) announcement by the issuer of this financial instrument about redemption / exchange of this financial instrument;
 - 3) other cases of significant changes in market conditions, prices of financial instruments, or increased market volatility.
 - 4) occurrence of cases of failure by the issuer or initiator of admission of such financial instrument to comply with the requirements for disclosure of information on planned changes in prospectuses for issue of securities, prospectuses for issue of a bond program and other documents defining the procedure and terms of repayment, payment of coupon interest for bonds, as well as the deadlines for registration of the register holders to make such payments, the amount of coupon payments, par value of the bonds, as well as other characteristics of the security that affect determination of its value, circulation period, timing and amount of payment of coupons or dividends;
 - 5) occurrence of cases of failure by the issuer or initiator of admission of such financial instrument to comply with the requirements for disclosure of information about corporate events of the issuer of securities.
11. Financial instrument can be excluded from the T+ Lists if it does not comply with the requirements of article 2 (for the T+ List) and article 4 of the Procedure (for the T+ Collateral List), as well as upon occurrence of any of the cases specified in clause 10 of this article in the manner provided for in clause 5 of this article.
12. Exclusion of the financial instrument from the Lists shall be carried out automatically without a recommendation from the Committee and without the Management Board of the Clearing Center making a corresponding decision in the following cases:
 - 1) termination of trading in the financial instrument of a certain name subject to the rules of the Exchange governing the general conditions of exchange activities from the date following the date of fulfillment of all obligations and claims on the specified financial instrument;
 - 2) redemption (early redemption) of bonds::

- one clearing day before the date of fixation of the register of bondholders for its redemption, if fixation is carried out at the beginning of the day;
 - on the date of fixation of the register of bondholders for its redemption, if fixation is carried out at the end of the day;
 - one clearing day before the date determined subject to paragraph one or two of this sub-clause, if the register of bondholders is fixed on a non-business day.
13. Financial instrument can be excluded from any List temporarily (for a certain period) in the manner provided for in clause 5 of this article in the following cases:
- 1) if there is information about corporate events of the issuer (repurchase of shares, delisting, negative events in relation to the main shareholders, as well as other events that increase the risk of default and/or lead to increased volatility of the price characteristics of the financial instrument);
 - 2) long holidays in the Republic of Kazakhstan or in foreign countries, subject to the laws of which this financial instrument is traded.
14. Information on decision of the Management Board to include the financial instrument in the T+ List and/or the T+ List Collateral, or to exclude the financial instrument from the T+ List and/or from the T+ List Collateral shall be brought to the attention of clearing participants no later than one business day before the relevant changes take effect, by posting the relevant news on the Internet resource of the Clearing Center.

Article 6. Final provisions

1. The Procedure and all changes and/or additions to the Procedure shall be brought to the attention of the clearing participants by posting on the Internet resource of the Clearing Center.
2. The Procedure shall be updated as necessary but at least once every three years to be counted from the date the Procedure takes effect.
3. Responsibility for timely introduction of changes and additions to the Procedure shall be borne by the market risk division.

Chairman of the Management Board

N. Khoroshevskaya