

# KAZAKHSTAN STOCK EXCHANGE

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**Approved**

by a decision of the Board  
of Kazakhstan Stock Exchange  
(minutes No.97  
dated October 4, 2017)

**Effective as of**

**October 5, 2017**

## **REGULATIONS** **on the Market Risk Committee**

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Almaty

2017

## LIST OF AMMENDMENTS

**1. Change and additions No. 1:**

- Approved by a decision of the Board of Kazakhstan Stock Exchange (minutes No. 27 dated March 20, 2018)
- Effective as of October 1, 2018

**2. Additions No. 2:**

- Approved by a decision of the Board of Kazakhstan Stock Exchange (minutes No. 58 dated May 14, 2019)
- Effective as of May 15, 2019

**3. Change and additions No. 3:**

- Approved by a decision of the Board of Kazakhstan Stock Exchange (minutes No. 75 dated June 5, 2020)
- Effective as of June 8, 2020

**4. Change and additions No.4:**

- Approved by a decision of the Board of Kazakhstan Stock Exchange (minutes No. 34 dated April 8, 2021)
- Effective as of April 9, 2021

**5. Change No. 5:**

- Approved by a decision of the Board of Kazakhstan Stock Exchange (minutes No. 36 dated March 10, 2022)
- Effective as of March 11, 2022

**6. Change and addition No. 6:**

- Approved by a decision of the Board of Kazakhstan Stock Exchange (minutes No. 122 dated October 26, 2022)
- Effective:
  - subparagraph 1) of changes – from November 02, 2022;
  - subparagraph 2) of the changes – from October 27, 2022.

This Regulation on the Market Risk Committee (hereinafter referred to as the Regulation) has been developed in accordance with the legislation of the Republic of Kazakhstan, internal documents of Kazakhstan Stock Exchange JSC (hereinafter referred to as the Exchange), and determines the procedure for the formation of the Market Risk Committee (hereinafter referred to as the Committee), its functions, composition, rights and responsibilities of members of the Committee and regulations of its activities (*this preamble was supplemented by a decision of the Exchange Board dated March 20, 2018 and changed by a decision of the Exchange Board dated June 05, 2020*).

**Article 1. General Provisions**

1. The Committee is a permanent, collegial body under the Management Board of the Exchange, established by a decision of the Management Board of the Exchange, whose task is to analyze, monitor, identify and manage risks associated with the situation in the financial markets, the activities of the Exchange, its counterparties - members of the Exchange, clearing participants, issuers and investors, as well as preparation of recommendations to the Board of the Exchange (*this item was changed by a decision of the Exchange Board dated March 20, 2018 and June 5, 2020*).
2. In its activities, the Committee is guided by the legislation of the Republic of Kazakhstan, regulatory legal acts of the authorized body, this Regulation, internal regulatory documents of the Exchange and recommendations of international institutions on the risk management system.
3. The Committee is accountable to the Management Board of the Exchange and acts within the powers granted to it by the Management Board of the Exchange in accordance with these Regulations.
4. (*This item was excluded by a decision of the Exchange Board dated June 5, 2020*).

**Article 2. Composition of the Committee**

1. The Committee includes:
  - 1) at least two members of the Management Board, determined by the order of the Chairperson of the Management Board of the Exchange;
  - 2) heads of clearing, monitoring, risk management and treasury departments;
  - 3) other employees of the Exchange, determined by the order of the Chairperson of the Management Board of the Exchange.

(*This item was changed by a decision of the Exchange Board dated June 5, 2020 and April 8, 2021*)
2. The Chairperson of the Committee is a member of the Management Board of the Exchange who is in charge of the risk management division.
3. (*This item was excluded by a decision of the Exchange Board dated April 8, 2021*).
4. The Chairperson of the Committee, in addition to managing the activities of the Committee, performs the following functions (*this paragraph was changed by a decision of the Exchange Board dated April 8, 2021*)
  - 1) organizes the work of the Committee;
  - 2) convenes meetings of the Committee and presides over them;
  - 3) approves the agenda of the meetings of the Committee;
  - 4) organizes at meetings record keeping;
  - 5) determines the form of the meetings of the Committee;
  - 6) organizes the discussion of issues at the meetings of the Committee, and also listens the opinions of persons invited to participate in the meeting;

- 7) distributes responsibilities between the members of the Committee, gives them and the Secretary of the Committee instructions related to the study and preparation of issues for consideration at a meeting of the Committee;
- 8) monitors the implementation of decisions of the Committee.
5. *(This item was excluded by a decision of the Exchange Board dated June 5, 2020).*
6. Functions on organizational and information support of the Committee's work are performed by the Committee secretary appointed from among the Exchange employees *(this item was changed by a decision of the Exchange Board dated March 20, 2018, of June 5, 2020 and of April 8, 2021).*
7. In the absence of the Secretary of the Committee, his replacement is carried out by an employee elected by the Committee at its meeting *(this item was changed by a decision of the Exchange Board dated April 8, 2021).*
8. The Secretary of the Committee provides:
  - 1) preparation and holding of meetings of the Committee;
  - 2) collection and systematization of materials for meetings;
  - 3) formation of the agenda of a meeting of the Committee or absentee voting of members of the Committee;
  - 4) timely sending to members of the Committee and invited persons notifications about holding meetings of the Committee, agenda of meetings, materials on agenda items;
  - 5) minutes of meetings, as well as subsequent storage of minutes (decisions) of meetings of the Committee;
  - 6) as necessary, issuing extracts from the minutes (decisions) of the Committee;
  - 7) performing other functions on behalf of the Chairperson or other members of the Committee.
9. The personal composition of the Committee, the secretary, as well as persons replacing them (if necessary), are determined by the order of the Chairperson of the Management Board of the Exchange *(this item was included by a decision of the Exchange Board dated June 5, 2020 and changed by a decision of the Exchange Board dated April 8, 2021).*

**Article 3. Functions of the Committee**

1. In order to assess, control and manage risks in terms of the Exchange's clearing activities and central counterparty functions, the Committee, on the basis of information provided for consideration by the Committee by the Exchange's divisions in accordance with the Exchange's internal documents:
  - 1) sets the values of the fundamental and approved risk parameters of financial instruments in accordance with the internal documents of the Exchange;
  - 2) gives recommendations to the Management Board of the Exchange on the establishment and application of individual limits and restrictions to clearing participants in the exchange markets;
  - 3) decides on the level of financial stability of the issuers of securities and the distribution of these securities into groups depending on the level of financial stability of the issuer;
  - 4) gives recommendations to the Exchange Board on inclusion (exclusion) in the List (from the List) of financial instruments admitted to transactions with

partial collateral (List T +) and in the List (from the List) of financial instruments accounted for as collateral for obligations on transactions with partial collateral ( Provision list T +);

- 5) on the basis of the results of assessing the financial condition of the Exchange members, obtained in the manner prescribed by the internal documents of the Exchange, determines the ratings of the Exchange members for subsequent approval by the Exchange Board;
- 6) makes a decision on the establishment of the "prohibition of short selling" attribute on financial instruments of the T + List in accordance with the procedure provided for by the internal documents of the Exchange;
- 7) if necessary, gives recommendations to structural divisions on improving the processes and procedures for managing market and credit risks in order to increase their efficiency;
- 8) monitors concentration risk on all exchange markets;
- 9) monitors insolvency cases of Exchange members;
- 10) in cases stipulated by the internal documents of the Exchange, makes a decision on the application of a different procedure for determining the settlement prices of securities;
- 11) *(this sub-item was excluded by a decision of the Exchange's Management Board dated 26 October of 2023);*
- 12) reviews the results of stress testing of financial instruments, and also makes recommendations based on the results of stress testing scenarios for financial instruments;
- 13) makes other decisions on the assessment of securities and setting parameters in cases stipulated by the internal documents of the Exchange;
- 14) *(this sub-item is excluded by the decision of the Exchange Management Board of March 10, 2022);*
- 15) *(this sub-item is excluded by the decision of the Exchange Management Board of March 10, 2022);*
- 16) gives recommendations to the Exchange's Management Board on establishing/changing the category of a clearing participant *(this sub-item was included by a decision of the Exchange's Management Board dated 26 October of 2023).*

*(This item was changed by the decision of the Exchange Management Board of April 8, 2021)*

2. In order to determine the profitability function of non-indexed government securities of the Republic of Kazakhstan, the Committee:
  - 1) determines the number of maturity ranges and their boundaries for the distribution of transactions with government securities (GS);
  - 2) sets the time period for which transactions are selected to form the GS yield function;
  - 3) carries out other actions that are necessary for the formation of a representative GS curve in accordance with the internal documents of the Exchange.
3. The Committee considers proposals to improve the risk management system, and also performs other functions on behalf of the Management Board of the Exchange *(this item was changed by a decision of the Exchange Board dated April 8, 2021).*

*(This article was changed by a decision of the Exchange Board dated March 20, 2018, supplemented by a decision of the Exchange Board dated May 14, 2019 and changed by a decision of the Exchange Board dated June 05, 2020).*

**Article 4. Procedure of the Committee**

1. Meetings of the Committee are held in full-time, part-time and remote forms at least once a quarter. Extraordinary meetings of the Committee can be held as required *(this item was changed by a decision of the Exchange Board dated June 5, 2020)*.
- 1-1. When voting in absentia, the members of the Committee, within one working day after the voting day, determined by the Chairman of the Committee, sign the ballot indicating the result of the vote and give it to the Secretary of the Committee. The secretary, on the basis of the received bulletins, prepares the minutes of the meeting of the Committee in the manner prescribed by article 6 of these Regulations *(this item was included by a decision of the Exchange Board dated June 5, 2020)*.
- 1-2. The meeting of the Committee in a remote form is held using applications for video conferencing, recommended by the information technology division and with ensuring information security *(this item was included by a decision of the Exchange Board dated June 5, 2020)*.
2. A meeting of the Committee may be convened on the initiative of its chairperson or:
  - 1) any member of the Committee;
  - 2) any member of the Board.The meeting of the Committee is held with the obligatory invitation of the initiator of the meeting of the Committee.

*(This item was changed by a decision of the Exchange Board dated June 5, 2020)*
3. When carrying out the activities of the Committee, the main means of remote communication between the members of the Committee and persons authorized to replace the members of the Committee in the event of their absence and / or a conflict of interest arises is e-mail.
4. The agenda of the meeting is formed by the Secretary of the Committee on the basis of the submitted materials and approved by the Chairperson of the Committee *(this item was changed by a decision of the Exchange Board dated June 5, 2020)*.
5. A notice of the holding / convocation of a meeting of the Committee indicating the time and place of the meeting, with the approved agenda and the necessary materials on the agenda items, is sent by the Secretary of the Committee to the members of the Committee by e-mail no later than one business day before the date of the meeting of the Committee.
6. At the suggestion of the member (s) of the Committee, the Committee has the right to additionally consider at the meeting the issues not included in the agenda, subject to the consent of the majority of the members of the Committee participating in the meeting and if all the necessary materials on these issues are available.
7. The quorum of the Committee meeting is determined with simultaneous participation in the Committee meeting:
  - 1) at least half of the total number of members of the Committee;
  - 2) at least two members of the Management Board of the Exchange;
  - 3) clearing unit representative.

In the absence of the specified quorum, the Chairperson of the Committee decides to postpone the meeting.

*(This item was changed by a decision of the Exchange Board dated June 5, 2020)*

8. The decision of the Committee is adopted by a majority of votes of the members of the Committee present at the meeting. Each member of the Committee has one vote. In case of equality of votes, the vote of the Chairperson of the Committee is decisive.
- 8-1. The members of the Committee may not refuse (abstain) from voting on the matters specified in sub-items 1)-6), 10), 11), 13) of item 1 of Article 3 of these Regulations *(this item was included by the decision of the Exchange Management Board of April 8, 2021 and amended by the decision of the Exchange Management Board of March 10, 2022)*.
9. The transfer of the right to vote by a member of the Committee to another member of the Committee or an employee is prohibited.
10. The meeting of the Committee is chaired by the Chairperson of the Committee in accordance with the approved agenda *(this item was changed by a decision of the Exchange Board dated June 5, 2020)*.
11. To participate in the meeting of the Committee, persons other than the members of the Committee may be involved without the right to participate in voting.

**Article 5. Preparation and provision of materials to the members of the Committee**

1. Materials must be agreed with the interested structural divisions, and, if necessary, with the members of the Committee.
2. Materials on each item on the agenda should contain the following:
  - 1) necessary information on the proposed issue;
  - 2) an explanatory note and a draft decision of the Committee to it in the form in accordance with Appendix 1 to these Regulations;
  - 3) necessary calculations and justifications for the proposed draft solution;
  - 4) conclusions of interested structural divisions of the Exchange (if necessary);
  - 5) a list of persons who must be included in the number of those invited to consider the issue, indicating the surname, first name and position held in the organization (if necessary) *(this sub-item was changed by a decision of the Exchange Board dated June 5, 2020)*;
  - 6) other necessary materials.
3. An explanatory note on the issue included in the agenda of the meeting of the Committee, with the attached materials, shall be submitted to the secretary of the Committee at least two working days before the meeting in the electronic document management system *(this item was changed by a decision of the Exchange Board dated June 5, 2020)*.
4. Materials provided to the Secretary of the Committee later than the time specified in paragraph 3 will not be included in the agenda, but will be carried over to the next meeting.

The decision to include an urgent and / or important issue in the agenda of a meeting of the Committee, without observing the requirement established by the first paragraph of this clause, is made by the Chairperson of the Committee. At the same time, materials on such an issue must be provided to the Secretary of the Committee no later than the beginning of the meeting of the Committee, the agenda of which includes the issue.

5. With the exception of the issues included in the agenda of the Committee meeting in accordance with the second paragraph of clause 4 of this article, the secretary of the Committee ensures that the submitted materials are checked on the issues to be included in the agenda of the Committee meeting for compliance with the requirements established by clause 2 of these Regulations. In case of non-compliance of the submitted materials with the requirements of paragraph 2 of this article, the secretary of the Committee must demand revision of the material or the provision of additional materials.

**Article 6. Committee meeting minutes**

1. The decisions of the Committee on the issues on the agenda of the meeting of the Committee shall be formalized in the minutes. The minutes must be drawn up and submitted by the Secretary of the Committee for approval to the members of the Committee who took part in the meeting, within two working days from the date of the meeting.

Sending the minutes of the meeting for approval to the members of the Committee in accordance with part one of this paragraph, is carried out using the electronic document management system *(this paragraph was changed by a decision of the Exchange Board dated June 5, 2020)*.

The minutes are subject to revision by the secretary of the Committee in the presence of comments and / or proposals of the members of the Committee, who participated in the meeting, to the draft minutes. Minutes of the Committee meeting are signed by the Chairperson of the Committee or a member of the Committee substituting for the Chairperson of the Committee at this meeting, and by the Secretary of the Committee *(this paragraph was changed by a decision of the Exchange Board dated June 5, 2020)*.

2. The minutes of the meeting of the Committee must contain the following information:
  - 1) full name of the Committee and location of the Exchange executive body;
  - 2) date, time and place of the meeting;
  - 3) information about the persons who participated in the meeting;
  - 4) meeting agenda;
  - 5) items put to the vote and the results of voting on them;
  - 6) decisions taken;
  - 7) and other information by decision of the Committee.
3. The dissenting opinion of a member of the Committee on an issue or on a draft resolution of an issue included in the agenda of a meeting of the Committee is reflected in the minutes of the meeting of the Committee with an indication of the arguments *(this item was changed by a decision of the Exchange Board dated June 5, 2020)*.
4. The originals of the minutes of the meetings of the Committee, as well as materials on the agenda of the Committee are kept by the Secretary of the Committee.
5. The Secretary of the Committee controls and monitors the implementation of decisions (instructions) of the Committee, and provides information on the status of their implementation to the Chairperson of the Committee at least once a quarter *(this item was supplemented by a decision of the Exchange Board dated March 20, 2018)*.



**Article 7. Rights and responsibilities of the Committee**

1. When exercising the functions specified in article 3 of these Regulations, the Committee has the right:
  - 1) preliminarily study and consider any issues referred to its competence by these Regulations, as well as on an initiative basis and / or on behalf of the Exchange Board;
  - 2) request from the structural divisions of the Exchange the necessary information to develop recommendations of a recommendatory nature on the management of market and credit risks *(this sub-item was supplemented by a decision of the Exchange Board dated March 20, 2018);*
  - 3) attract employees of the Exchange structural divisions and / or external experts to participate in the Committee meetings;
  - 4) make appropriate recommendations to the Board;
  - 5) make appropriate decisions of a binding nature, subject to execution by structural divisions *(this sub-item was changed by a decision of the Exchange Board dated April 8, 2021);*
  - 6) make a decision on the basis of expert judgment in order and cases stipulated by the internal documents of the Exchange *(this sub-item was included by a decision of the Exchange Board dated April 8, 2021);*
  - 7) give recommendations to structural divisions based on the results of consideration of issues at meetings of the Committee *(this sub-item was included by a decision of the Exchange Board dated April 8, 2021).*
2. Members of the Committee and persons authorized (entitled) to replace members of the Committee are obliged to:
  - 1) be independent and objective;
  - 2) ensure the confidentiality of information received by them in connection with the exercise of the powers of the members of the Committee, including information constituting a commercial, official or other secret protected by law, and are liable in accordance with the legislation of the Republic of Kazakhstan for violation of such an obligation.
3. The Chairperson, members of the Committee and persons authorized (entitled) to replace members of the Committee are responsible for the fulfillment of the set goals and functions, in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Exchange.
4. A member of the Committee has the right:
  - 1) initiate consideration by the Committee of issues corresponding to its main tasks;
  - 2) receive information in the amount necessary and sufficient to form a full, well-founded opinion on the issue considered by the Committee;
  - 3) *(this sub-item was excluded by a decision of the Exchange Board dated April 8, 2021);*
  - 4) attract employees of the Exchange structural divisions and / or external experts to participate in the Committee meetings;
  - 5) take other measures necessary to fulfill the tasks and functions assigned to him as a member of the Committee.
5. The secretary of the Committee is responsible for the timely provision of materials to the members of the Committee on the issues included in the agenda of the meeting of the Committee.

Responsibility for timely amendments to the order of the Chairperson of the Management Board of the Exchange on approval of the composition of the Committee, taking into account the requirements of paragraphs 1 and 2 of article 2 of these Regulations, is borne by the risk management division.

The members and the secretary of the Committee are responsible for the disclosure of confidential information received in the performance of their functions in the work of the Committee.

*(This item was changed by a decision of the Exchange Board dated April 8, 2021)*

### **Article 8. Final provisions**

1. Responsibility for the timely introduction of amendments and / or additions (updating) to this Regulation lies with the risk management division.
2. This Regulation is subject to updating as necessary, but at least once every three years, calculated from the date of entry into force of this Regulation *(this item was changed by a decision of the Exchange Board dated April 8, 2021)*.

Chairperson of the Board

A. Aldambergen

**Appendix 1**

to the Regulation on the Market Risk Committee

**EXPLANATORY NOTE**

**to the issue "[title of the issue submitted to the Market Risk Committee]"**

*(this heading was changed by a decision of Exchange Board dated June 5, 2020)*

The main text of the explanatory note indicating the basis for submitting the issue to the meeting of the Market Risk Committee, disclosing the essence of the issue, justifying the choice of the calculation method (if the issue provides for such a choice) *(this paragraph was changed by a decision of Exchange Board dated June 5, 2020)*.

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**Draft decision of the Market Risk Committee**

A draft decision consisting of one paragraph.

or

A draft decision consisting of one paragraph with several sub-paragraphs:

- 1) the first subparagraph of the draft decision consisting of one paragraph with several sub-paragraphs;
- 2) the second subparagraph of the draft decision consisting of one paragraph with several sub-paragraphs;
- 3) ...

or

1. The first paragraph of the draft decision consisting of several paragraphs.
2. The second paragraph of the draft decision, consisting of several paragraphs.
3. ...

Position

*(head of department)*

*(signature)*

Surname and initials