KAZAKHSTAN STOCK EXCHANGE

A p p r o v e d

by the decision of Kazakhstan Stock Exchange Council and the Exchange Council Committee on Currency Market

(protocol No. 2 of April 21, 1999)

Effective

from April 22, 1999

N O T I C E

The Rules have been translated into English by employees of Kazakhstan Stock Exchange for information purposes only. In case of any incompliance of this translation with the original version of the Rules in Russian, the Russian version shall always prevail.

RULES

on Exchange Trading and Settlement on Fixed-Term Contracts

Almaty

1999

LIST OF AMENDMENTS

1. **Changes and Additions No. 1:**
   - approved by the decision of Kazakhstan Stock Exchange Council and the Exchange Council Committee on Currency Market (protocol No. 4 of December 19, 1999);
   - effective from December 20, 1999.
2. **Change No. 2:**
   - approved by the decision of Kazakhstan Stock Exchange Council (protocol No. 2 of February 11, 2000);
   - effective from February 14, 2000.
3. **Changes and Additions No. 3:**
   - approved by the decision of Kazakhstan Stock Exchange Council and the Exchange Council Committee on Currency Market (protocol No 1 of June 16, 2000);
   - effective from June 1, 2000.
4. **Changes No. 4:**
   - approved by the decision of Kazakhstan Stock Exchange Council (protocol No. 17 of December 19, 2001);
   - effective from December 20, 2001.
5. **Changes No. 5:**
   - approved by the decision of Kazakhstan Stock Exchange Council (protocol No. 2 of February 28, 2002);
   - effective from May 2, 2002.
6. **Changes No. 6:**
   - agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on September 1, 2004;
   - approved by the decision of Kazakhstan Stock Exchange Council (protocol No. 29 (з) of September 10, 2004);
   - effective from September 10, 2004.
7. **Change No. 7:**
   - agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on December 21, 2004;
   - approved by the decision of Kazakhstan Stock Exchange Council (protocol No. 37 of October 20, 2004);
   - effective from October 21, 2004.
8. **Changes and Addition No. 8:**
   - agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on January 21, 2005;
   - approved by the decision of Kazakhstan Stock Exchange Council (protocol No. 49 of December 29, 2004);
   - effective from January 24, 2005.

CONTENT

Notice

Inherently the fixed-term contracts market is riskier than the market of the underlying assets, in respect of which fixed-term contracts are concluded. Fluctuations on the market of the underlying asset may lead to major fluctuations on the market of fixed-term contracts, which in its turn may lead to substantial losses of the holders of open positions in fixed-term contracts.

Apart from this, the concept hereof purports, that the Exchange assumes no liability for non-compliance with the obligations before market participants in case of insolvency of one or more fixed-term contracts market participants. Risks of non-compliance with obligations on the side of one or several fixed-term contracts market participants are covered due to redistribution of liability in respect of all market participants by forming a guarantee fund, and, in case of use, its mandatory replenishment.

These Rules determine the order of conclusion of deals in fixed-term contracts at trades held by Kazakhstan Stock Exchange (hereinafter referred to as the Exchange), and the order of such deals execution *(this paragraph was changed by the decision of the Exchange Council of January 15, 2004)*.

Chapter I. GENERAL PROVISIONS

Article 1. Fixed-Term Contract. Fixed-Term Contract Underlying Asset. Types of Fixed-Term Contracts

(The heading of this article was supplemented by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)

1. A fixed-term contract means an agreement of absolute or conditional purchase or sale of a financial instrument with postponed execution subject to the terms hereof.
2. A financial instrument, used in the capacity of a fixed-term contract subject, is referred to as its underlying asset.
3. Two types of fixed-term contracts are admitted to circulation at the Exchange: futures and option.

   Futures – an obligation to purchase or sell a certain amount of underlying asset at a predetermined price.

   Option – a contract, which provides its purchaser with the right to buy from an option seller (call option) or sell to an option seller (put option) a certain amount of underlying asset at a predetermined price. With that, two types of options are established: European and American. European option – an option, which may be exercised at a predetermined time only. American option – an option, which may be exercised at any moment during the predetermined period *(this paragraph was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of June 16, 2000)*

(This item was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)

Article 2. Fixed-Term Contract as Exchange Trading Subject. Series of Fixed-Term Contracts. Tranche

1. A fixed-term contract, used in the capacity of exchange trading subject, has unified conditions.
2. The terms of the fixed-term contract, used in the capacity of exchange trading subject, are determined subject to its specification, which is to be approved by the Exchange Board *(this item was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of June 16, 2000)*.
3. A decision on the use of a fixed-term contract in the capacity of exchange trading subject and the specification of such fixed-term contract should be brought to notice of trading participants at least ten working days before the beginning of the exchange trades in the fixed-term contract.
4. Fixed-term contracts with the different settlement terms, specified by the same specification, are referred to as a series of fixed-term contracts.
5. Tranche of fixed-term contracts – a closed set of the fixed-term contracts, specified by the same specification, having the same settlement terms and conditions *(this item was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*.

Article 3. Exchange Deals in Fixed-Term Contracts

1. Exchange deals in fixed-term contracts are considered to be the deals on purchase or sale of fixed-term contracts, concluded between the participants of exchange trading in compliance herewith.
2. The exchange fixed-term contract deal conclusion means an acquisition of fixed-term contract rights and obligations by the parties thereof in compliance with its specification.
3. Submission of application on the fixed-term contract purchase or sale during the trading means unconditional trade participant consent to the exchange fixed-term contract conclusion on the terms, specified in, or subject to, not worse than specified in the application, in full or partial volume of the application.
4. The terms of trade participants' applications on fixed-term contracts purchase or sale and the content of the exchange fixed-term contracts concluded thereby relate to confidential information and are not subject to disclosure and/or transfer to the third persons without written permission of the trade participant.

   The order of information presentation to the authorized state information bodies, including that related to confidential is determined by the legislation of the Republic of Kazakhstan *(this paragraph was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*.

Chapter II. PARTICIPANTS OF EXCHANGE TRADES IN FIXED-TERM CONTRACTS

Article 4. Exchange Members, Admitted to Participation in Exchange Trades in Fixed-Term Contracts

1. Exchange category "C" members may participate in exchange trades in fixed-term contracts.
2. The Exchange membership admission order, membership terms and the category "C" assignment conditions are determined by the Exchange internal normative documents.

Article 5. Clients of Exchange Category "C" Members

1. Exchange category "C" members may carry out fixed-term contracts transactions both on their own behalf and at their own expense, and on behalf and at the expense of their clients subject to the norms of this article.

   Employees of the Exchange may not be clients of category "C" members thereof in respect of fixed-term contracts in the course of employment on the Exchange, and before expiration of six months after termination of employment thereon.
2. Any individual person, carrying out fixed-term contracts transactions, may be the client of only one of the Exchange category "C" members.
3. The Exchange category "C" member is fully responsible for the obligations, arising due to carrying out fixed-term contracts operations on behalf of his clients.
4. The relations between the Exchange category "C" member and his fixed-term contracts client are regulated by the trading and settlement service contract.

   The Exchange Council and the respective Exchange Council Committees may determine the norms, mandatory for inclusion in the trading and settlement service contracts. The Exchange may deny its category "C" member carrying out fixed-term contracts operations on behalf of the respective clients at failure to comply with this requirement.

   The Exchange category "C" member should provide the Exchange with the copy of the trading and settlement service contract concluded thereby with the client, and also the original, returnable to the Exchange member upon copy validity check.

In the trading and settlement service contract the Exchange member should assign the client an account number for accounting of operations in the fixed-term contracts, executed on behalf of the client. The account number is composed of seven symbols: $FX_1X_2X_3X_4X_5X_6$, where F – a market code, $X_1X_2X_3$ – a registration code of the Exchange member, $X_4X_5X_6$ – a client order number, assignable by the Exchange member independently.

5. After receipt of the contract copy the Exchange opens a corresponding account in the trading participants input and processing applications electronic system (hereinafter referred to as the Trading system).

6. At disclosure of the trading and settlement service contract terms violation by the Exchange category "C" member, the Exchange may disqualify such member from participation in exchange trades in fixed-term contracts.

   The duration and terms of such disqualification are determined by the Exchange Board.

   The Exchange Board decision on disqualification of its category "C" member from participation in exchange trades in fixed-term contracts may be appealed in the Exchange Council.

   The appeal of the decision on disqualification does not suspend its effect.

Article 6. Clearing and Trading Members

1. The Exchange category "C" members are subdivided into two subcategories – clearing and trading members.

2. The Exchange category "C" members, authorized for making settlements on fixed-term contracts with the Exchange are referred to as clearing members. The Exchange Council and the Exchange Council Committee may set special requirements to the organizations, exercising functions of clearing members.

3. The Exchange category "C" members, non-eligible for making autonomous settlements on fixed-term contracts with the Exchange, are referred to as trading members.

   The settlements with the Exchange on the fixed-term contracts concluded by the trading members and the clients thereof are made by the Exchange clearing members.

4. A trading member may be under settlement service of one clearing member only.

5. A clearing member incurs full liability for obligations of the trading members and their clients serviced thereby before the Exchange.

6. Clearing and trading members' relations are regulated by the settlement service contract.

   The Exchange Council and the respective Exchange Council Committees are entitled to determine the norms, mandatory for inclusion in settlement service contracts. At failure to comply with this requirement the Exchange may deny a clearing member making settlements with the Exchange on the fixed-term contracts, concluded by a respective trading member. Such denial is brought to notice of the respective trading member.

   Clearing members undertake to provide the Exchange with the copy of the settlement service contract concluded thereby with the trading member, and the contract original, returnable to the Exchange clearing member after copy validity check.

7. At disclosure of the settlement service contract terms violation of a clearing member the Exchange may disqualify such member from participation in exchange trades in fixed-term contracts.

   The duration and terms of such disqualification are determined by the Exchange Board.

   The Exchange Board decision on clearing member disqualification from participation in exchange trades in fixed-term contracts may be appealed in the Exchange Council.

   The appeal of the decision on disqualification does not suspend its effect.

Article 6–1. Requirements to Clearing Members

(This article was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)

1. The following requirements are imposed on clearing members *(this paragraph was changed by the Exchange Council decision of February 28, 2002)*:
   - at least three million monthly calculated indices own capital in possession *(this paragraph was changed by the Exchange Council decisions of February 11, 2000 and February 28, 2002)*;
   - a correspondent account in the National Bank of the Republic of Kazakhstan and membership in the inter-bank money transfer system of the Kazakhstan Inter-Bank Settlements Center at the National Bank of the Republic of Kazakhstan *(this paragraph was changed by the Exchange Council decision of February 28, 2002)*;
   - monthly, before the 15th day of the month, provision of the Exchange with the balance figures and own capital calculation in compliance with the methodology approved by the licensing body.
2. Clearing members, failing to comply with the requirements, specified in item 1 of this article, subject to the Exchange Council decision may be transferred from the clearing member category to the category of trading members.

Article 7. Traders

1. Traders – indiviuals authorized by the Exchange category "C" members to participate in exchange trades in fixed-term contracts on behalf of the Exchange category "C" members.
2. Trade participation traders' admission terms are determined by the Exchange internal normative documents.
3. A trader may not carry out fixed-term contracts operations, on his behalf and/or at his expense at exchange trades, unless he is the Exchange category "C" member fixed-term contracts client.
4. Any actions of a trader carrying out fixed-term contracts operations during exchange trading are equated to the actions of the Exchange member represented thereby.
5. At disclosure of the trader violation of the terms hereof the Exchange may disqualify such trader from participation in exchange trades in fixed-term contracts.

   The duration and terms of such disqualification are determined by the Exchange Board.

   The Exchange Board decision on disqualification of the trader from participation in exchange trades in fixed-term contracts may be appealed by the represented thereby member of the Exchange in the Exchange Council.

   The appeal of the decision on disqualification does not suspend its effect.

Article 8. Other Persons Allowed to Trades

1. Apart from traders and Exchange employees, servicing exchange trades in fixed-term contracts, and the Exchange President and Vice-presidents, other persons may be present at exchange trading solely in the capacity of observers and only upon permission of the Exchange President, of the Vice-president, supervising fixed-term contracts trading.
2. No persons, present at exchange trades, may, during trading, discuss issues, make announcements or remarks, and carry out any other actions, not related to the trades.
3. Other, apart from the traders, persons, present at exchanges trades, are prohibited against carrying out fixed-term contracts operations.
4. The persons, present at exchange trades in observing capacity, may not directly or indirectly interfere in the process thereof.

Chapter III. PREPARATION OF EXCHANGE TRADES IN FIXED-TERM CONTRACTS

Article 9. Regulation of Exchange Trades in Fixed-Term Contracts

(This article was changed by the Exchange Council decision of September 10, 2004).

1. The regulation of trades (place and time of trading and other principle parameters of holding thereof) is determined by the Exchange Board.
2. The Exchange should give trade participants at least an eighteen-hour notice of alteration of the trading place and time, determined by the Exchange Board.

   The norm, specified by the first paragraph of this item, does not cover the trades regulation extra changes made by the Exchange President or the Exchange Vice-president supervising trading, in case of standard mode trading default.

Article 10. Trades Participant Position. Long Position. Short Position. Position Account

1. The trade participant position means a number of the same tranche fixed-term contracts sold or purchased thereby.

   The position is considered to be open, if its value differs from null.

   The position is considered to be closed, if its value equals to null.

   The position, opened by a trade participant in connection with fixed-term contracts purchase, is referred to as long.

   The position, opened by a trade participant in connection with fixed-term contracts sale, is referred to as short.
2. Long and short positions, opened in respect of the same tranche, are netted.
3. The positions, opened by a trade participant, are accounted for at his position account.

   The following position accounts are opened and maintained for every trade participant:

   – the principle account, at which the positions, opened by a trade participant in his own name and at his own expense, are accounted;

   – the client position accounts, at which the positions, opened by a trade participant in the name, and at the expense of his clients, are accounted.

   Client position accounts are opened and maintained in respect of every client individually.
4. Position accounts of trade participants are maintained in respect of every tranche individually.

Article 11. Guarantee Fees. Open Positions Quantitative Limit. Guarantee Fund

1. Clearing members should pay the Exchange guarantee fees. Paying guarantee fees is a mandatory condition of admission to trading in fixed-term contracts for a clearing member and trading members serviced thereby.

   The minimum guarantee fees amount payable to the Exchange by clearing members for participation in trades in fixed-term contracts of a definite series is set by a fixed-term contract specification.

2. The guarantee fee size is set by a fixed-term specification and confers a right to open one contract size position.

   A number of the guarantee fees, paid by a clearing member, determines the maximum size of open positions (open positions quantitative limit), which may be opened thereby on all tranches at principle and client position accounts, and also at principle and client accounts of the trading members serviced thereby.

   At any moment of exchange trading in fixed-term contracts the volume of the positions, opened on all tranches by a clearing member, his clients, a trading member serviced thereby and his clients, may not exceed an open positions quantitative limit set for this clearing member.

   Open positions quantitative limit between a clearing member and the trading members serviced thereby is distributed by the Exchange on the basis of the written instruction of the clearing member trader.

3. Guarantee fees are paid in Kazakhstan tenge or in other financial instruments.

   The order of guarantee fees payment in other, apart from Kazakhstan tenge, financial instruments and the admissible share of such financial instruments in the guarantee fees total are determined by separate appendices hereto.

4. The guarantee fees minimum amount is paid back in case a trade participant lose his clearing member status, and provided there are no outstanding obligations of this trade participant before the Exchange *(this paragraph was changed by the Exchange Council decision and the Exchange Council Committee on the currency market of December 19, 1999)*.

   The funds, paid as guarantee fees, are returned in the nominal terms net of inflation influence.

5. Guarantee fees form the guarantee fund, which is used solely for coverage of obligations of one or more clearing members in case of their insolvency.

6. The Exchange forms three guarantee funds for provision of coverage of obligations of one or more insolvent clearing members:

   - currency market guarantee fund to insure against risks on operations in fixed-term contracts on foreign currencies;
   - government securities market guarantee fund to insure against risks on operations with fixed-term contracts on government securities, including government securities issued in compliance with the legislation of other states and securities of local district authorities;
   - corporate market guarantee fund to insure against risks on fixed-term operations on corporate serial securities.

(This item was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)

Article 12. Guarantee Fee Rate Change

1. A clearing member may increase or decrease a guarantee fees amount by paying to or calling back from the Exchange respective sums.

The guarantee fees amount paid to the Exchange maybe increased or decreased only upon the end of the current exchange trades in fixed-term contracts.

2. In case of guarantee fees rate decrease the Exchange returns corresponding funds to clearing members.

3. Clearing members are prohibited against decreasing the amount of guarantee fees paid to the Exchange or transferring such amounts from one guarantee fund to the other in the following cases *(this paragraph was supplemented by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*:

   – if such decrease or transfer leads to a reduction of the paid guarantee fees amount below the minimum *(this paragraph was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*;

   – if such decrease or transfer leads to a violation of the open positions quantitative limit of this clearing member *(this paragraph was supplemented by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*;

   – insolvency of one or more clearing members.

4. Additional finances are mandatory paid on account of the paid guarantee fees increase in the following cases:

   – excess of volume of the positions opened on all tranches by a clearing member, his clients, trading members serviced by this member and their clients over the open positions quantitative limit set for this clearing member in connection with the revaluated guarantee fee rate;

   – increase of the guarantee fee rate subject to the decision of the Exchange Council or the respective Exchange Council Committee;

   – use of the guarantee fund finances for coverage of obligations of one or more clearing members in case of their insolvency;

   – deficiency of the guarantee fund means for coverage of obligations of one or more clearing members in case of their insolvency;

5. Mandatory fees are calculated in proportion to the guarantee fees, paid by clearing members to a respective guarantee fund. The sum of mandatory fees of clearing members is calculated in order to recover the guarantee fund and cover the obligations of one or more clearing members in case of their insolvency *(this paragraph was supplemented by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*.

   With that, mandatory fees are accrued only in respect of the clearing members that had guarantee fees in the respective guarantee fund as of the mandatory fees accrual moment. Mandatory fees are not accrued in respect of the clearing members having guarantee fees in other guarantee funds, but at the moment of mandatory fees accrual having no guarantee fees in the guarantee fund, on which the mandatory fees are accrued *(this paragraph was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*.

6. Mandatory fees payable to the guarantee fund should be contributed before 18.00 of the day following the day of receipt of notification on paying mandatory fee necessity.

7. Clearing members that made no mandatory contribution in the terms, specified in item 6 of this article are considered as insolvent.

Chapter IV. EXCHANGE TRADING IN FIXED-TERM CONTRACTS AND ESTABLISHMENT OF RESULTS

Article 13. Exchange Fixed-Term Contracts Trading Method

1. The uninterrupted counter auction method, conducted by the Trading system is used as the principle exchange fixed-term contracts trading method. A pre-trading period, which means conduct of the Frankfurt trade for each separate fixed-term contracts tranche in one iteration may be used for determination of opening prices *(this item was changed by the Exchange Council decisions of December 19, 2001 and December 29, 2004)*.
2. In respect of the trading participants' orders accomplished in the pre-trading period deals are concluded by striking prices.

   The trading participants' orders not accomplished in the pre-trading period according to Frankfurt tenders results, participate in the current day exchange trading on a common basis *(this paragraph was changed by the Exchange Council decisions of December 19, 2001 and December 29, 2004)*.
3. The corresponding striking price determined in the course of Frankfurt trade is used as the opening price of exchange trades in this tranche *(this paragraph was changed by the Exchange Council decisions of December 19, 2001 and December 29, 2004)*.

   In case during the Frankfurt tenders conduct the striking price for the tranche was not accomplished, then, the following is used (in the order of priority) as the exchange trade opening price for this tranche *(this paragraph was changed by the Exchange Council decisions of December 19, 2001 and December 29, 2004)*:

   – average value between the minimum sale order price and the maximum purchase order price of the tranche fixed-term contracts;

   – at absence of sale orders – the maximum purchase orders price of the tranche fixed-term contracts

   or

   – at absence of purchase orders – the minimum sale orders price of the tranche fixed-term contracts;

   – at absence of both purchase and sale orders – the closing price of the previous day of exchange trading in this tranche.
4. At impossibility of exchange trading in fixed-term contracts by the principle method, subject to the Exchange Board decision other methods may be used.
5. The positions, not closed in the course of the pre-trading period and exchange trades, are liquidated compulsorily in the post-trading period at the trades conducted by fixing method *(this paragraph was changed by the Exchange Council decision of December 29, 2004)*.
6. The order of exchange trading by one or another method is specified by the Exchange internal normative documents.

Article 14. Settlement Price

1. A settlement price of the fixed-term contract means:

   – before the fixed-term contract settlement day – a weighted average price of all deals of the current day of exchange trades in fixed-term contracts of this tranche;

   – on the settlement day – the final settlement price determined in compliance with the fixed-term contract specification.

2. In case, no deals were concluded during the exchange trades in fixed-term contracts of any tranche, the corresponding settlement price of the previous day of exchange trades is used as the fixed-term contract settlement price of this tranche.
3. In case, the situation specified in item 2 of this article persists for three exchange fixed-term contracts days, the Exchange Board may suspend exchange trading in fixed-term contracts of this tranche determining further actions of the Exchange and trades participants.

Article 15. Variance Margin. Current Position Price

1. Variance margin means the difference between prices of the positions, opened on fixed-term contracts of any tranche, and the settlement price of the tranche fixed-term contract, resulted from the exchange trades of the previous day.
2. Variance margin for a long position (for a fixed-term contract purchaser) is calculated according to the formula:

$$(P_S – P_C) \times N \times (C_V : M_T).$$

Variance margin for a short position (for a fixed-term contract seller) is calculated according to the formula:

$$(P_S – P_C) \times N \times (C_V : M_T), \text{ where:}$$

P_S – the tranche fixed-term contract settlement price resulted from the exchange trades of the current day;

P_C – the current price of the position opened on fixed-term contracts of this tranche;

N – number of the fixed-term contracts that entered in the position, opened on this tranche;

C_V – cost valuation of the minimum price change of the given series fixed-term contract (to be set by the fixed-term contract specification);

M_T – the minimum price change of the given series fixed-term contract ("tick", to be set by the fixed-term contract specification)

3. The current position price means the fixed-term contract initial purchase-sale price adjusted to the variance margin for all days of exchange trading from the day of initial purchase-sale of the fixed-term contract till the day of the current exchange trades, not including this day.

The current position price equals:

– for the position, opened on the current day – the fixed-term contract purchase-sale price;

– for the position, opened before the current day – the fixed-term settlement price set according to the previous day exchange trades results.

4. Variance margin is calculated on the basis of the results of every exchange fixed-term contracts trading day.
5. For clearing members, variance margin is calculated by the Exchange on the basis of the positions opened:

– at the principle position account and client position accounts of this clearing member;

– at the principle position account and client position accounts of the trading members, serviced by this clearing member.

6. For trading members, variance margin is calculated by the Exchange on the basis of the positions opened at the principle position account and client position accounts of this trading member.

7. Variance margin negative value displays the obligation on payment thereof in favor of the Exchange; positive value – the requirement to the Exchange on the receipt thereof.
8. Negative value variance margin is paid:
   - by trading members – in favor of the clearing members servicing the trading members;
   - by clearing members – in favor of the Exchange.
9. Positive value variance margin is paid:
   - by the Exchange – in favor of clearing members;
   - by clearing members – in favor of the trading members serviced thereby.
10. Variance margin payment-receipt relations between the Exchange category "C" members and their clients are regulated by trading and settlement service contracts.

Article 16. Initial Margin. Initial Margin Rate. Spread Position. Isolated Position. Marginable Position. Margin Account

(The title of this article was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of June 16, 2000).

1. Initial margin represents the sum; payable by participants of exchange trades in fixed-term contracts in proportion to a number of purchased-sold fixed-term contracts, and usable for the fixed-term contracts obligations provision, and is calculated as the product of initial margin rate times marginable positions *(this item was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of June 16, 2000)*.
2. The initial margin rate is set by the Exchange depending on the current situation on the market of underlying asset.

   A special discount, based on the initial margin rate, may be set for the counter directivity fixed-term contracts (including that of different series) by their specifications. The positions on fixed-term contracts falling under this discount are referred to as spread-positions (spreadable positions). The positions on fixed-term contracts not falling under this discount are referred to as isolated.

   Calculation of the initial margin rate is made by the Exchange with the regularity determined thereby.

(This item was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of June 16, 2000).

3. A marginable position means the position opened in connection with purchase-sale of one fixed-term contract and in regard to which the requirement of initial margin payment is applied.
4. For a clearing member, marginable positions on each tranche of fixed-term contracts are the net-positions, which are determined after netting in relation to each tranche of long and short positions on the principle position account, clients' accounts serviced by this clearing member, principle and client position accounts of trading members serviced by this clearing member.
5. For a trading member, marginable positions are positions accounted on the principle and client position accounts. With that, the long and short positions opened in relation to the same tranche are netted regardless of the position accounts they are accounted on.
6. The initial margin payable by a clearing member is accounted on the margin account opened by the Exchange to his name.

A clearing member should maintain a minimum fund balance at a margin account in the amount of his obligations on the initial margin.

7. Initial margin payment relations between clearing and trading members are regulated by settlement service contracts.
8. Initial margin payment relations between the Exchange category "C" members and the clients thereof are regulated by trading and settlement service contracts.
9. Calculation of initial margin obligations of the participants of exchange trades in fixed-term contracts and the clients thereof is made by the Exchange.
10. Clearing members pay initial margin in Kazakhstan tenge, or, subject to the Exchange Council decision in other financial instruments.

    The order of initial margin payment in other, apart from Kazakhstan tenge, financial instruments and an admissible share of such financial instruments in the initial margin total are determined by separate appendices hereto.
11. Initial margin is returned to a clearing member upon his request at closing of the positions, opened on fixed-term contracts, and also after the fixed-term contract settlement *(this item was changed by the decision of the Exchange Council Committee and the Exchange Council Committee on the currency market of June 16, 2000)*.

Article 16–1. Options Circulation Features

(This article was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of June 16, 2000).

1. The subject of trades at conclusion of deals in options is the premium payable for the purchase thereof. With that the underlying asset price, by which the option is exercised, is an invariable option feature, and not modified during the whole option validity period.
2. The premium is paid by the option purchaser in the favor of the seller on the day of the option purchase-sale deal conclusion and not subject to pay back.
3. The premium is accounted for as the option purchaser obligation to the Exchange and as the option seller requirement to the Exchange at a clearing session according to the results of trading on the Exchange.
4. Options are not covered by articles 14 and 15 hereof. Therefore, the positions, opened in connection with options purchase or sale are not to be lead to a single settlement price according to the results of every day exchange trades, and in this respect, the open positions variance margin is not calculated.
5. Initial margin on the positions, opened for the purchase of options, is neither calculated nor paid.
6. The sum of initial margin on the positions, opened for options sale, is increased by the amount of the load on the option.

    The load on each sold option is calculated as follows:

    - in respect of a call option – as a positive difference between the underlying asset market price and the option settlement price multiplied by the underlying asset amount in respect of the option;
    - in respect of a put option – as a positive difference between the option settlement price and the underlying asset market price multiplied by the underlying asset amount in respect of the option.
7. At calculation of the initial margin in respect of the positions opened for options sale, items 4 and 5 of article 16 of the Rules on Exchange Trading and Settlement on Fixed-Term Contracts are not applied, and the clearing member must pay the Exchange an initial margin in respect of all positions without considering cross-canceling positions.

Article 17. Commission Fees of Exchange

(The title of this article was changed by the Exchange Council decision of September 10, 2004).

1. Clearing members pay the Exchange commission fees in respect of the fixed-term contracts deals, concluded by such clearing members and their clients, and also the trading members, serviced by clearing members, and their clients *(this item was changed by the Exchange Council decision of September 10, 2004)*.
2. The Exchange commission fees amounts, calculation and payment order are determined by the internal documents thereof *(this item was changed by the Exchange Council decision of September 10, 2004)*.
3. *(This item was excluded by the Exchange Council decision of September 10, 2004)*.
4. The Exchange commission fees payment relations between clearing and trading members are regulated by the settlement service contracts *(this item was changed by the Exchange Council decision of September 10, 2004)*.
5. The Exchange commission fees payment relations between the Exchange category "C" members and their clients are regulated by the trading and settlement service contracts *(this item was changed by the Exchange Council decision of September 10, 2004)*.

Article 18. Clearing Session. Settlement on Results of Exchange Trading in Fixed-Term Contracts

1. Upon the end of the current exchange trades in fixed-term contracts the Exchange executes a clearing session, in the course of which the following is defined:
   – requirements or obligations of clearing members in respect of a variance margin;
   – obligations of clearing members in respect of an initial margin;
   – obligations of clearing members in respect of exchange fees *(this paragraph was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*;
   – other requirements or obligations, associated with execution of fixed-term contracts *(this paragraph was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*.
2. The positions, specified in item 1 of this article, are netted, which results in determination of a net-obligation or a net-requirement of a clearing member according to the results of the current day exchange trades in fixed-term contracts.
3. According to the results of a clearing session the Exchange forms the following reports for each clearing client:
   – a report on the concluded fixed-term contracts deals and requirement and obligations associated therewith *(this paragraph was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*;
   – an initial margin report;
   – a report on the financial net-obligations of a clearing member or the Exchange.

   The forms of reports are determined by the Exchange Board.

4. Reports on variance and initial margin, signed by the Exchange administrator (a deputy of the Exchange administrator) and verified by the Exchange stamp, are sufficient and necessary confirmation of fixed-term contracts deals conclusion and origin of respective obligations or requirements, and used by clearing and trading members for determination of obligations in respect of settlements against each other and with the clients serviced thereby.

5. The report on financial net-obligations of a clearing member or the Exchange, signed by a trader and the Exchange administrator (a deputy of the Exchange administrator) and verified by the Exchange stamp, is the agreement between a clearing member and the Exchange specifying obligations of the parties *(this item was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*.

6. The terms of settlement in respect of net-obligations or net-requirements of clearing members are determined by separate appendices hereto *(this item was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*.

Article 18–1. Margin Accounts and Guarantee Fee Accounts Operation Features

(This article was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)

1. For accounting of the finances, paid as guarantee fees and initial margin, the Exchange accordingly opens guarantee fee accounts and margin accounts for trade participants.

2. The finances from margin accounts and guarantee fee accounts may be returned to trade participants only by crediting thereof to their current accounts at the Exchange and exclusively in the events, provided hereby.

3. The finances placed at the trade participants current accounts at the Exchange, may be used thereby without restriction for purposes of making settlements in respect of other financial instruments, tradable on the Exchange.

4. The finances from margin accounts and guarantee fee accounts are returned to the trade participant current account on the basis of application on behalf of the trade participant.

5. The application on transfer of the finances, placed at the margin account and/or the guarantee fee account, to the trade participant current account, may be formalized by:

   - a letter or a fax message of a trade participant, signed at least by two persons and affixed with the seal of the trade participant in compliance with the signatures and stamp print specimen document retained at the Exchange;
   - by a written application of the authorized trader of the trade participant.

6. The application of transfer of the finances placed at the margin account and/or the guarantee fee account, to the trade participant current account should be submitted to the Clearing House at or before 12.00 of Almaty time. The application, submitted after 12.00 of Almaty time, shall be considered to have been submitted on the next day.

7. The Exchange executes the transfer of the finances, placed at the margin account and/or the guarantee fee account, to the trade participant current account before 18.00 of the following working day after submission of the respective application.

Article 19. The Exchange Information

(This article was excluded by the decision of the Exchange Council of October 20, 2004).

Chapter V. LIMITS AND CONFLICTS

Article 20. Limits

1. For purposes of minimization of collective risk of exchange fixed-term contracts trade participants and provision of fixed-term contracts market stability the following is to be set:
   - settlement price change limit;
   - market share limit.
2. A settlement price change limit determines a deviation ceiling of the settlement price of the fixed-term contract of the series during one exchange trading day from the settlement price of the fixed-term contract of the same series, set according to the previous day exchange trade results.

   A settlement price change limit is set by a fixed-term contract specification.
3. A market share limit determines the maximum admissible share of the positions, opened at one position account, in the total number of the positions, opened in respect of the fixed-term contract of this series at all position accounts.

   A market share limit is set by the fixed-term contract specification.
4. In case of the exchange fixed-term contracts trade participant violation of the market share limit and/or the open positions quantitative limit as a result of the fixed-term contract settlement price change he should within two exchange trading days, inclusive of the violation day, take necessary measures on removal of violations.

   At the exchange fixed-term contracts participant non-compliance with this requirement the Exchange may:
   - execute compulsory liquidation of positions in compliance with article 23 hereof;
   - change the admission regime or terminate the access of the participant to exchange fixed-term contracts trading.

Article 21. Clearing Member Insolvency

1. Clearing member insolvency is a situation when at the moment of discharge of the clearing member obligations on settlement with the Exchange:
   - a smaller sum than required for full coverage of his net-obligations is placed at his margin account;
   - a guarantee fund mandatory fee is not paid or the payment is incomplete;
2. In case of insolvency of a clearing member the Exchange:
   - suspends an access of this clearing member and the trading members serviced thereby to participation in exchange fixed-term contracts trades;
   - blocks all cash accounts of this clearing member at the Exchange;
   - executes compulsory liquidation of positions in compliance with article 23 hereof.
3. Insolvent clearing member net-obligations are covered at the expense (in order of priority) of:
   - the finances placed at his cash accounts at the Exchange (including the margin account and current accounts opened in connection with his participation in the exchange trades in other financial instruments);

- the finances received as a result of compulsory liquidation of positions;
- the finances paid by this clearing member to the Exchange in the capacity of guarantee fees;
- the respective guarantee fund finances. With that, the rest of clearing members are informed on insolvency of this clearing member, and their guarantee fees are reduced in proportion to the amount of the fees paid *(this paragraph was changed by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)*.

4. In case of use of the guarantee fund means for coverage of the net-obligations of an insolvent clearing member in excess of his own guarantee fees paid, such member should restore the means used within the day of use.

   At violation of this term an insolvent member should pay a penalty in favor of the Exchange. Amounts, order of calculation and payment of the penalty are determined by these Rules and individual appendices hereto *(this paragraph was changed by the Exchange Council decision and the Exchange Council Committee on the currency market of December 19, 1999)*.

5. Clearing member insolvency, which entailed use of the guarantee fund means in excess of his own guarantee fees, is a ground for suspension of his membership in category "C" until full discharge of obligations in respect of recovery of the guarantee fund means and forfeit payment.
6. Numerous cases of clearing member insolvency, which entailed use of the guarantee fund in excess of his guarantee fees, are grounds for his withdrawal from the Exchange category "C" membership.

Article 22. Trading Member Insolvency

1. Trading member insolvency is a situation when he is not able to completely and timely discharge his net-obligations before the servicing clearing member in compliance with the settlement service contract.
2. In case of trading member insolvency the servicing clearing member notifies thereof the Exchange, which:
   - suspends an access of this trading member to participation in exchange fixed-term contracts trades;
   - executes compulsory liquidation of positions in compliance with article 23 hereof.
3. The finances received as a result of compulsory liquidation of positions are transferred to the servicing clearing member.
4. Trading member insolvency is a ground for their withdrawal from the Exchange category "C" members.

Article 23. Compulsory Liquidation of Positions

1. The positions of exchange fixed-term contracts trade participants are liquidated compulsorily by the Exchange:
   - in case of termination of the Exchange category "C" membership;
   - at clearing or trading member insolvency;
   - in case of the exchange fixed-term contracts trade participant violation of the market share limit and/or his violation of the open positions quantitative limit as a result of his changing the fixed-term contract settlement price.
2. In case of compulsory liquidation of a clearing member position, the positions of, their clients, trading members serviced thereby, and, their clients are also subject to compulsory liquidation.

In case of compulsory liquidation of trading member positions, the positions of their clients are also subjected to compulsory liquidation.

Other cases of compulsory liquidation of clients', or trading members', serviced by the clearing member, positions are stipulated by trading and settlement service contracts or by settlement service contracts.

3. The following actions are to be executed by the Exchange in respect of each separate tranche in case of compulsory liquidation of the exchange fixed-term contracts trade participant positions:

   – positions, accounted for at client position accounts (at compulsory liquidation of clearing member positions – the positions, accounted for at client position accounts, and the positions, accounted for at principle and client position accounts of the serviced trading members), are transferred to the principle position account of this clearing members, at which a long, or short, or closed position is formed;

   – a liquidation order, equal in its volume and counter-directed to the open position, formed at the principle position account of this trade participant, is submitted in the pre-trading period on behalf of the trade participant. The liquidation order is submitted by the price, at which it may be accomplished in the full volume, but without violation of the settlement price limit. At all other things equal, the liquidation order is accomplished on a priority basis;

   – a liquidation order not accomplished in the pre-trading period is submitted on behalf of the trade participant for the exchange trades by the prices of the active counter-directed orders available in the Trading system;

   – the liquidation order not accomplished as a result of exchange trades is submitted on behalf of the trade participant in the pre-trading period at the trades, conducted by fixing method *(this paragraph was changed by the Exchange Council decision of December 29, 2004)*.

4. At compulsory liquidation of positions accounted for at the client position account the following actions are executed by the fixed-term contracts trade participant servicing this client:

   – a liquidation order, equal in its volume and counter-directed to the open position accounted for at the client position account is submitted in the pre-trading period. The liquidation order is submitted by the price, at which it may be accomplished in the full volume, but without violation of the settlement price change limit;

   – a liquidation order not accomplished in the pre-trading period is put at the exchange trades by prices of the active counter-directed orders available in the Trading system;

   – a liquidation order not accomplished as a result of the exchange trades is submitted on behalf of the trade participant in the post-trading period at the trades, conducted by fixing method, by the trade participant submitting a corresponding order *(this paragraph was changed by the decision of the Exchange Council of December 29, 2004)*.

5. In case several positions are subject to compulsory liquidation simultaneously, then until execution of the actions, specified in items 3–4 of this article, they are netting.

6. In case, several same directivity positions, which are accounted for at the position accounts, serviced by different clearing members, are subject to compulsory liquidation simultaneously, greater liquidation orders have priority in the pre-trading period.

Article 24. Suspension of Exchange Trading in Fixed-Term Contracts

1. In case of insolvency of one or more exchange fixed-term contracts trade participants, which represents a substantial threat for the fixed-term contracts market, the Exchange Board may suspend the exchange trading in the fixed-term contracts of certain series until normalization of situation.

   Exchange trading in the fixed-term contracts of individual or every series is suspended by the Exchange Council decision.

2. At termination of exchange trades in the fixed-term contracts of one or another series the Exchange executes a clearing session for purposes of determination of net-obligations and net-requirements of corresponding clearing members.

Article 25. Arguments and Controversies

1. Arguments and controversies arising in connection with exchange fixed-term contracts trading between the participants thereof, and also between the trade participants and the Exchange are subject to resolution by way of negotiations with consideration of the moral and ethical norms of conduct acting at the Exchange.

2. The arguments and controversies not settled by the parties are subject to consideration of the Exchange Arbitration Commission.

Article 26. Untimely Payment Liability

(This article was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)

1. In case of default or improper discharge of obligations by a clearing member, such clearing member pays the penalty in the amount of 0.1 % of the untimely executed payment in favor of the affected party.

2. The penalty is charged and collected subject to the respective Exchange Arbitration Commission decision.

3. The penalty is calculated and collected in Kazakhstan tenge.

4. Clearing members having overdue penalty payment liabilities to the Exchange are disqualified from participation in exchange trading in all tradable financial instruments until full discharge of such liabilities subject to the Exchange Board decision.

Article 27. Restrictions of Penalties Payable by Exchange

(This article was included by the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)

The sum of the penalty sanctions, payable by the Exchange, may not exceed the sum of the exchange fees, received thereby for organization of exchange trades in the fixed-term contracts of this series from the day of violation until the day of payment.

Article 28. Force-Majeure

(This article was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)

1. Force-Majeure shall mean:

   a) fire, earthquake and other acts of God, war, military activities, terror acts, civil commotions, strikes, lock outs, embargo, bans and restrictions set by state agencies;

   b) malfunctions of program and technical devices of the republican state enterprise Kazakhstan Inter-bank Settlement Centre, Central Securities

Depository JSC *(this item was changed by the Exchange Council decision of April 14, 2005)*.

2. The document, verifying the events of force-majeure, specified in item 1(a) of this article and the duration thereof, is the certificate issued by the Chamber of Commerce and Industry of the Republic of Kazakhstan or other competent agency (organization) of the corresponding state.
3. The document, confirming the events of force-majeure, specified in item 1(b) of this article and the duration thereof, is the certificate signed by the first chief executive officer of the corresponding organization of those specified in item 1(b) of this article.
4. The certificate should be presented to the Exchange within seven calendar days from the moment of occurrence of the circumstances, specified in item 1(b) of this article.
5. Additional list of events of force-majeure may be set subject to the internal normative documents of the Exchange, regulating settlements in individual financial instruments.

Article 29. Consequences of Force-Majeure

(This article was included by the decision of the Exchange Council and the Exchange Council Committee on the currency market of December 19, 1999)

1. The parties are released from settlements terms violation liability in case, such violation was caused by the effect of the force-majeure circumstances, originated after exchange trading and which could not be foreseen or prevented by the parties.
2. The party, in respect to which the payment impossibility appeared due to origin of the circumstances of force-majeure, should immediately inform beneficiaries of these payments on the beginning of such circumstance, expected effect and termination thereof.
3. At the beginning of circumstances of force-majeure the settlement terms are to be proportionally shifted for the time of effect of such circumstances.

President D. Karasaev