

KAZAKHSTAN STOCK EXCHANGE

PRESS RELEASE

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KASE Y2009 Highlights and Y2010 Priorities

Y2009 was complicated and rich in events affecting global financial markets and, in particular, the Kazakhstan stock market.

Kazakhstan Stock Exchange sees the following factors most impacted the domestic financial market in 2009:

- the devaluation of the national currency;
- the government taking steps to fight the crisis and support the economy and, specifically, second-tier banks;
- outburst of defaults of Kazakh companies due to weakening financial standings;
- Kazakh exporters' production priced relatively high on global commodity markets;
- positive performance of global stock indexes.

The above mentioned caused the first **slump ever in annual exchange traded value**.

Apart from the economical situation affecting the exchange turnover (Y2009 reference data enclosed), we saw a number of events crucial for KASE.

To control recessionary forces affecting the Kazakhstan financial market the government stepped in to enforce regulation of the market. KASE and regulators were jointly taking **anti-crisis measures**, particularly, in regard of the repo market and listing matters.

In H1 2009 KASE and regulators revised the rules governing the repo market, which helped bring the number of defaults down; and to null in H2 2009. In H2 2009 KASE was working on a mark-to-market based risk valuation system margining risks through compensation, which will be launched on the nego repo market in the nearest future.

Pushed by a rise in corporate defaults on interest, KASE and the Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations (FSA) in August 2009 introduced a 'buffer category'. The innovation allowed for retaining issuers listed, provided they had a potential to cure the situation in the specified terms, not delisting such companies. At its first meeting on September 28, 2009 the Listing commission transferred securities of 11 issuers to the buffer category (currently there are 12 issuers in the buffer category).

However, a number of listing companies were struggling in 2009, and 23 companies defaulted. Eighteen less issuers got listed on KASE in 2009 as compared with 2008. Interestingly, thirty eight more securities advanced through listing procedures on a year-to-year basis, which happened largely thanks to placement of 60 bonds of ten Kazakh banking companies and National welfare fund Samruk-Kazyna.

KASE's hard work resulted in November introduction of the Listing rules – a fundamental stock exchange document. This was the first exchange document to define a system for KASE to recognize rating agencies, whose ratings were first used as a criterion to admit securities to KASE.

November 9, 2009 saw an introduction of the KASE official list as a special trading floor of the Regional Financial Center of Almaty (RFCA). The list was formed as a result of a merger of the KASE official list and the RFCA special trading floor that earlier operated on the basis of KASE. The same day "Rules on Kazakhstan Stock Exchange operating as a special trading floor of the Regional Financial Center of Almaty" were made effective, thus, completing an almost two-year effort of KASE,

FSA and the Agency of the Republic of Kazakhstan on regulation of activities of RFCA to unite the two trading floors.

In addition, to improve **listing procedures** and in accordance with a FSA resolution pursuing to improve disclosure of issuer financial information, in 2009 KASE established a committee on financial statements and issuer audit.

KASE did a lot to perfect technologies and information management. A number of steps were made to technically support the above-mentioned innovations, including in regard of restrictions on the nego repo market, setting automatic controls to suspend trade at substantial decrease of stock price or stock index (trade suspension was introduced on FSA requirement at the beginning of 2009), setting a mark-to-market requirement on securities trading in repo transactions. In 2009 KASE updated the trading system to allow for delivering of representative trade close values (15 minutes before the trade day close, the stock trading shall be switched to Frankfurt trade to prevent manipulation in close prices). A huge work was done to prevent trader errors. Graphical interface and other functions were upgraded in the trading system.

KASE substantially upgraded the website and, specifically, the information content. Portals on government securities market and repo transaction market were designed and launched. A FAQ section appeared on the site. Special sections for potential listing companies and investors were introduced. The normative base is now completely available in English and being updated to comply with the Russian version.

To provide a wider range of trading instruments, a new instrument – the euro settled in the dollar, and euro swap transactions were launched at the end of 2009.

KASE is planning to continue work and comply with global exchange operation standards, and improve other priority operation areas specified in the KASE Development Strategy for years 2007–2010:

- introduce new financial instruments and enhance liquidity of trading instruments;
- arrange conditions and attract investors;
- take measures to attract issuers, perfect listing procedures and related services and normative base;
- improve settlement system;
- search for information solutions required for KASE to bring its operation to higher levels technically and in terms of processes (including Internet-trading).

KASE places a priority on a launch of **new financial instruments** with a focus on the derivatives market. Especially, it is planned to launch non-delivery futures on currency, gold futures, KASE Index futures and most liquid stock futures, and three day or longer currency swap transactions.