KAZAKHSTAN STOCK EXCHANGE JSC

REPORT
on compliance of Kazakhstan Stock Exchange JSC with the fundamental principles of IOSCO for financial market infrastructures

Almaty

2023

1. Introduction

The document called “Principles for Financial Market Infrastructures”, published by the International Organization of Securities Commissions (IOSCO) and the Committee on Payments and Settlement Systems (CPSS) on April 12, 2012 (hereinafter – the "Principles"), presents a basic system of Principles for Financial Market Infrastructures. These Principles set out the rules that must be followed by entities that act as central counterparties, trading repositories, central securities depositories, securities settlement and payment systems (hereinafter - “FMIs”).

IOSCO and the CPSS work together to coordinate efforts to develop and implement international standards and principles for FMIs’ clearing, settlement, and reporting mechanisms. The IOSCO Principles are designed to help ensure the safety, efficiency, and sustainability of FMIs that support global financial markets, so their full, timely, and consistent implementation is essential.

As required by the IOSCO Principles, FMIs must annually disclose the extent to which they comply with the Principles. This document (hereinafter – the Compliance Assessment) is a report on compliance by Kazakhstan Stock Exchange JSC (hereinafter – the Exchange, KASE) with the IOSCO Principles in relation to the functions of the central counterparty (hereinafter – the CCP), clearing and settlement of financial instruments.

2. Description of the FMI

The Exchange is a legal entity incorporated as a joint-stock company in accordance with the legislation of the Republic of Kazakhstan. The Exchange acquired the status of a legal entity on December 30, 1993 from the moment of its primary state registration.

The main activity of the Exchange is the organization of trading in securities and other financial instruments in accordance with the legislation of the Republic of Kazakhstan. Related activities of the Exchange are clearing activities for transactions with financial instruments and activities for the implementation of certain types of banking operations. At the same time, the Exchange acts as the Central Counterparty.

KASE provides clearing services on the basis of a respective license issued by the Committee for Control and Surveillance of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan in 2012. Today, KASE is the only organization that carries out clearing activities within the framework of the legislation of the Republic of Kazakhstan and provides CCP services in the exchange currency and stock markets, as well as in the derivatives market.

By performing the functions of the Central Counterparty, KASE assumes the risks of non-performance by the clearing participants of their obligations and at the same time guarantees the performance of their obligations to each bona fide clearing participant. This allows clearing participants to assess risks only on the CCP when concluding transactions, thereby leveling the credit risk of the counterparty.

The CCP's risk management system, which basically uses a uniform approach to risk assessment in all exchange markets, is aimed at ensuring its reliability and stability in any market situation.

The main tasks of the risk management system of KASE as the CCP are as follows:

– reducing possible losses by limiting the level of accepted risks in all segments of the financial market;
– ensuring sufficient funds to cover potential losses from accumulated financial resources, including own funds, individual clearing collateral, collective clearing collateral and other collateral;
– ensuring the reliable functioning of the exchange trading, clearing and settlement system, including through timely identification of risks and prompt and adequate response measures when risk events occur.

The main and core function of the Exchange is to ensure the maintenance of stability in the served segments of the financial market through the implementation of a modern risk management system that meets international standards and to provide participants with such clearing services that allow them to effectively use the funds being directed to the market.

The clearing services provided by the Exchange with partial pre-collateral, as well as netting of claims and obligations, allow clearing participants to increase the efficiency of using their financial assets and reduce transaction costs.

The strategic objective of the Exchange is to provide participants in various segments of the financial market with integrated clearing services, which provide for the use of a single collateral and the maintenance of common positions (limits) of participants in the process of servicing them in all exchange markets.

In January 2023, subject to 2022–2024 KASE Development Strategy, a 100% subsidiary of the Exchange was created - KASE Clearing Center JSC (KACC).

The creation of KACC is attributed to the plans for the Exchange to transfer functions of a central counterparty to its subsidiary in order to differentiate the risk profile of the trading organizer and the central counterparty (CCP). In addition, detachment of the clearing and CCP functions will make it possible to provide central clearing services for various financial instruments traded not only on KASE, but also on other exchange and over-the-counter markets.

Control and surveillance over the financial market and financial organizations and in the field of financial legislation of the Republic of Kazakhstan are carried out by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market and the National Bank of the Republic of Kazakhstan (hereinafter – control and surveillance bodies) within their competence. The activities of the Exchange are based on the Acts of the Republic of Kazakhstan, in particular, "On the Securities Market", "On Joint-Stock Companies", "On Banks and Banking Activities in the Republic of Kazakhstan" and regulatory legal acts of the National Bank of the Republic of Kazakhstan (hereinafter – the NBRK) and *the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (hereinafter – the ARDFM, the authorized body)*.

Key figures

The Exchange provides services to 52 clearing participants, including:

- ✓ 31 in the foreign exchange market;
- ✓ 44 in the stock market;
- ✓ 18 in the derivatives market.

Clearing services are provided for 848 instruments[1], 274 instruments are accepted for multilateral netting (T+ list), 220 instruments are accepted for collateral under transactions (T+ collateral list).

The Exchange carries out clearing activities, performing the CCP functions and not performing the CCP functions in relation to those transactions, which are determined by the Rules of execution of exchange activities.

[1] Data as of 01.07.2023

3.1. IOSCO principles

IOSCO principle	Compliance	Description
1. Legal basis *An FMI should have a sound, clearly articulated, transparent, and enforceable legal basis for every material aspect of its activities in all relevant jurisdictions.* **Complies** **Criterion 5 of the Principle is not applicable**		
Criterion 1 The legal framework should provide a high degree of certainty for every significant activity of FMI's operations in all relevant jurisdictions	Compliance	In the activities of the Exchange, the applicable law is the law of the Republic of Kazakhstan. All actions and procedures of the Exchange must comply with the imperative requirements of the legislation of the Republic of Kazakhstan. If the Exchange opens accounts in foreign banks (settlement organizations) outside the territory of the Republic of Kazakhstan, the requirements of the legislation of the bank's location country shall apply to contractual relations with such organizations, unless an agreement between the Exchange and a foreign bank establishes otherwise (USA, EU, RF and other relevant jurisdiction). The Exchange interacts with the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (hereinafter – the control and surveillance bodies). In the Rules for execution of clearing activities for transactions with financial instruments (hereinafter – the Clearing Rules), the Exchange establishes the conditions for execution of clearing activities and the CCP functions in accordance with the legislation of the Republic of Kazakhstan. Currently, the Exchange performs the functions of the CCP in all markets: stock, currency, derivatives markets. According to the Clearing Rules, *the open offer mechanism* is applied to trades with the CCP, which is a method of fulfilling contractual obligations under the concluded trades by automatically including the CCP in the deal. Thus, after the conclusion of a deal, the Exchange, acting as the CCP, automatically becomes a counterparty to this transaction, being a seller for each buyer and a buyer

		for each seller. The Exchange acquires a special right by its actions to create obligations for clearing participants, including the acceptance and performance by the clearing participant of obligations under all transactions (including transactions as a result of novation) concluded on its behalf by the Exchange as part of the implementation of default settlement procedures in accordance with the Clearing Rules and other internal documents of the Exchange. When joining the Clearing Service Agreement by signing the Application for Assigning the Clearing participant Status and joining the Clearing Service Agreement, the Clearing Participant agrees with all the terms and conditions and procedure for the Exchange to provide services specified by the Clearing Rules, the Regulations on Clearing Participants and other internal documents of the Exchange related to clearing activities of the Exchange. The legal basis for clearing activity is the Act No. 461- II of the Republic of Kazakhstan dated 02.07.2003 "On the Securities Market" (hereinafter – Securities Market Act) and the respective regulatory legal acts of the control and surveillance bodies on clearing, clearing activity and central counterparty. Settlement organizations are: ✓ the Central Securities Depository (hereinafter – the CD) – in the stock market, in terms of fulfilling claims and obligations for securities in all transactions and in terms of fulfilling claims and obligations for money in transactions without the CCP; ✓ Exchange – in the foreign exchange market and the derivatives market, as well as in the stock market in terms of fulfilling claims and obligations for money under transactions with the CCP. Settlements on the stock market on transactions with the CCP are carried out in accordance with the internal documents of the Exchange and the set of rules of the CD, in the "delivery versus payment" mode, which provides for the fulfillment of claims for money and (or) securities, subject to the full fulfillment of counter obligations in respect of money and (or) securities, and also subject to the fulfillment of the requirements for securing unfulfilled obligations. Settlements in the stock market for transactions without the CCP are carried out in the "delivery versus payment" mode, which provides for the fulfillment of the requirements

		of the clearing participant for each transaction without the CCP, subject to the fulfillment of the counter obligation under this transaction. In the foreign exchange market, settlements are carried out in the "payment versus payment" mode, which means that the Exchange can fulfill the clearing participant's net claim only after this clearing participant fully fulfills its obligations to the Exchange with the current settlement date. Settlements in the derivatives market are carried out by debiting/crediting money constituting the variation margin to the account of the clearing participant, where the margin is accounted for.
Criterion 2 An FMI should have rules, procedures, and contracts which are clearly articulated, understandable and comply with the applicable laws and regulatory documents.	Compliance	The Clearing Rules are subject to approval by the main divisions of the Exchange, including the Trading Department, the Clearing Chamber, the Legal Department, as well as the CD, clearing participants, and are approved by the Board of Directors, which includes, among other things, independent experts and representatives bodies of control and surveillance. Such an approval procedure is aimed at ensuring transparency and maximum certainty of the procedures described in the Clearing Rules, as well as compliance with the requirements of the legislation of the Republic of Kazakhstan, the main trends in the development of financial markets and the needs of market participants. In addition, the Exchange directly interacts with clearing participants through personal meetings, telephone calls, and correspondence.
Criterion 3 An FMI should be able to clearly and comprehensibly state the legal basis for its activities to authorities, participants, and, where appropriate, participants' clients.	Compliance	The Exchange carries out its activities on the basis of the legislation of the Republic of Kazakhstan, the charter and internal documents that determine the legal basis for the Exchange's activities. Terms and conditions of clearing service agreements with clearing participants are defined in the Clearing Rules. In accordance with the Rules for the development, agreeing and approval of internal documents of the Exchange, draft internal documents related to the establishment or change of following conditions: 1) conditions of membership on the Exchange and access to exchange trading for current members of the Exchange; 2) the procedure for conducting exchange trading, including the trading rules, the list of financial instruments available for trading, the conditions for concluding transactions with them;

		3) terms of clearing and settlement of transactions with financial instruments, terms and conditions for clearing participants; 4) working conditions of market makers; 5) conditions for monitoring members of the Exchange, identifying cases of violations of the Exchange rules and applying enforcement measures in case of violations; 6) norms of professional ethics and business conduct and procedures for resolving disputes and conflicts involving members of the Exchange.
Criterion 4 An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. It is necessary to have a high degree of certainty that actions taken by an FMI based on such rules and procedures will not be suspended, invalidated, or work retroactively.	Compliance	Reflection in the internal documents of the Exchange, including in the Clearing Rules, of the procedures and rules that comply with the legislation of the Republic of Kazakhstan, including the regulatory legal acts of the control and surveillance bodies, and, as a result, reduce the risk of recognition of the Exchange's actions in accordance with these rules as invalid (having retroactive effect)/suspended)/recognition of agreements as invalid is ensured by legal examination of documents by the legal department of the Exchange and representatives of control and surveillance bodies. In accordance with item 1 of Article 85 of the Securities Market Act, the rules of the trade operator are developed by its executive body and approved by the board of directors of the trade operator. Compliance with the rules of the trade operator is mandatory for all entities using the services of the trade operator. In accordance with paragraph 2 of Article 77-3 of the Securities Market Act, the relationship of a clearing organization with entities using the services of a clearing organization is determined by the Rules of the clearing organization.
Criterion 5 An FMI that operates in multiple jurisdictions should identify and mitigate the risks posed by potential conflict of laws in jurisdictions.	Not applicable	Not applicable to the Exchange. The Exchange operates on the territory of the Republic of Kazakhstan.
2. Governance *An FMI should have a clear and transparent governance system that ensures the safety and efficiency of the FMI and the stability of the financial system in a broader sense, other aspects of public interest, and the achievement of stakeholder goals.*		

Compliance		
Criterion 1 An FMI should have objectives that prioritize the safety and efficiency of the FMI and clearly support financial stability and other aspects of public interest.	Compliance	The security and efficiency of KASE is ensured by complying with the requirements of the authorized body for the organizational structure, risk management system, software and hardware complex and other private aspects of the activities of the trade operator, clearing and settlement organization. KASE is also subject to its own risk management and business continuity policies and procedures, which include the use of KASE's backup center to ensure the smooth running of trading and post-trading procedures. The conditions and procedure for the functioning of KASE's (corporate) governance system, the competence, duties and responsibilities of its bodies are determined by the Joint-Stock Companies Act, the Securities Market Act, the rules of the trade operator, the KASE Charter, the Corporate Governance Code ((https://kase.kz/files/for_shareholders/CG_Code.pdf)). Conflicts of interest management policy, regulations on management and committees of KASE (http://www.kase.kz/en/corporate_documents), as well as an individual agreement with members of the Exchange's Board of Directors. On December 3, 2021, the Board of Directors of the Exchange approved the Strategy for 2022-2024, which provides for the following areas for the development of the Exchange: increasing liquidity in exchange markets by expanding the range of financial instruments and services, establishing trading and clearing links with partner exchanges, expanding the range of issuers and investors; development of the central counterparty as a key infrastructure element; modernization of external and internal infrastructure and introduction of innovations; increasing the value of the Exchange for stakeholders.
Criterion 2 An FMI must have documented management agreements with clear and express determination of duties and responsibility. These agreements must be communicated to owners, relevant competent authorities, participants, and	Compliance	Organizational structure of KASE is a type of functional structure where divisions are organized in accordance with their functions (trading, clearing, settlements, monitoring, supervision, etc.). The divisions are supervised by members of the Management Board, as well as the Managing Director for IT. To a large extent, the organizational structure of KASE is determined by the requirements of the legislation of Kazakhstan for the organizational structure of the trade operator, the clearing organization and the settlement organization. Management structure of KASE, in accordance with the Act No. 415-II of the

to the broader public.		Republic of Kazakhstan dated 13.05.2003 "On Joint-Stock Companies" (hereinafter – the JSC Act) and the Charter of KASE, consists of the supreme body, which is the general meeting of shareholders, the management body – the Board of Directors, and the executive body – KASE's Management Board. KASE governance principles are described in the Corporate Governance Code published on KASE Internet resource at https://kase.kz/files/for_shareholders/CG_Code.pdf. The Board of Directors, the Management Board and the Chairman of the Management Board of the Exchange act on the basis of the Charter of the Exchange. The competences of the Board of Directors, the Management Board and the Chairman of the Management Board are determined in accordance with the JSC Act and the Exchange Charter. The Charter of the Exchange, which stipulates the division of competence of the management bodies, is posted on the official Internet resource of the Exchange for public use (https://kase.kz/files/for_shareholders/ustav.pdf). The Board of Directors operates in accordance with the Regulations on the Board of Directors, which reflects the rights, duties and responsibilities of members of the Board of Directors in the exercise of their functions. The Exchange's Management Board acts on the basis of the Regulations on the Exchange's Management Board, which establishes, in particular, the procedure for decision-making by the Management Board, the rights and obligations of the Board members, as well as other issues related to the activities of the Management Board. Shareholders of the Exchange are provided with access to information in accordance with the current legislation of the Republic of Kazakhstan. Additionally, based on the current legislation, the Exchange discloses its financial statements and other information on the Exchange's activities, which is essential for clearing participants and other interested parties, on its official Internet resource www.kase.kz. In addition, the Exchange sends clearing results reports to clearing participants, holds meetings with clearing participants and interacts with them through various communication sources. The Exchange discloses financial statements in accordance with international standards. The Exchange also discloses additional information about its activities, which may be material for a shareholder, investors and other interested parties, while

		maintaining a reasonable balance between the Exchange's openness and protection of its commercial interests. The maximum possible amount of information about the Exchange is posted on the official Internet resource www.kase.kz. The Exchange also discloses information through the media. Each significant event or action of the Exchange is accompanied by the issuing of press releases distributed in the media.
Criterion 3 The roles and responsibilities of an FMI's board of directors (or other similar governing body) should be clearly defined and documented procedures must be accepted which regulate its functioning, including procedures for identifying, resolving, and managing conflicts of interest among members. The board of directors must regularly inspect activities of the board as a whole and the performance of individual board members.	Compliance	The Board of Directors of the Exchange carries out general management of the Exchange's activities, with the exception of issues referred by the JSC Act to the competence of the General Meeting of Shareholders. The rights, obligations, competence of the Board of Directors are determined by the Regulations on the Board of Directors and the Charter of the Exchange. The competence of the Board of Directors, in particular, includes: ✓ determination of priority areas of the Exchange's activities and development strategy of the Exchange; ✓ convening a general meeting of shareholders, forming its agenda, determining the form for holding a general meeting of shareholders; ✓ issuing of shares of the Exchange or sale by the Exchange of shares repurchased by it; ✓ repurchase by the Exchange of its previously issued shares or other securities, determination of their repurchase price; ✓ preliminary approval of the annual financial statements of the Exchange; ✓ approval of the regulation(s) on committees of the Board of Directors; ✓ election of members of committees of the Board of Directors, including experts; ✓ issuance by the Exchange of bonds or derivative securities, determination of the conditions for their issuance; ✓ determination of the quantitative composition and term of office of the Management Board, election of the Chairman of the Management Board and other members of the Management Board; ✓ determination of the quantitative composition and term of office of the Exchange's Internal Audit Service;

		✓ appointment and determination of the term of office of the Exchange corporate secretary; ✓ determination of the amount of payment for the services of an audit organization for the audit of the Exchange's financial statements; ✓ approval of the Exchange's internal documents (with the exception of documents approved by the Board for the purpose of organizing the work of the Exchange's structural subdivisions and employees under the supervision of the Management Board); ✓ creation and closing of branches and representative offices of the Exchange; ✓ acquisition (alienation) by the Exchange of shares of another legal entity, amounting to 10 or more percent of the total number of issued shares of this entity; ✓ increase in the Exchange's liabilities by 10 or more percent of its equity capital; ✓ determination of information about the Exchange or its activities, constituting an official, commercial or other secret protected by law; ✓ conclusion of major transactions and interested party transactions, with the exception of major transactions, the decision to conclude which is made by the general meeting of shareholders; ✓ approval of the annual budgets of the Exchange, as well as changes and/or additions to these budgets; ✓ approval of the regulations for the operation of the Board of Directors; ✓ admission to membership of the Exchange and exclusion from membership of the Exchange; ✓ determination of the amounts, procedure and terms for payment of fees, charges and other amounts charged by the Exchange in the framework of its activities. According to the Exchange's Charter, issues referred to the exclusive competence of the Board of Directors cannot be transferred to the competence of other bodies of the Exchange, unless otherwise provided by the legislation of the Republic of Kazakhstan. In order to prevent conflicts of interest, the Board of Directors includes independent directors who have sufficient independence to form their own position and are able to make objective judgments independent of the influence of the Exchange's executive bodies, a shareholder or other interested parties. In accordance with the requirements

		of the current legislation of the Republic of Kazakhstan, at least thirty percent of the Board of Directors of the Exchange must be independent directors (3 out of 10 members). Revision of measures taken by the Exchange to identify, investigate and resolve conflicts of interest between members of the Board of Directors is carried out as necessary. In accordance with the legislation of the Republic of Kazakhstan and the regulation on committees of the Board of Directors, three committees are mandatory under the Board of Directors of the Exchange: the Budget and Strategic Planning Committee, the Human Resources, Remuneration and Social Affairs Committee and the Internal Audit Committee. At the same time, the creation of other committees of the Board of Directors may be provided for. The main tasks of the Strategy Committee are: 1) preparation and submission to the Board of Directors of recommendations for decision-making on the issues of priority areas of the Exchange's activities; 2) operational interaction with the Exchange's Management Board on the subject of its activities and current control over the main (statutory) activities of the Exchange; 3) operational interaction with state bodies exercising control and surveillance functions in relation to the Exchange. The number of members of the Strategy Committee is at least five people. The main tasks of the Audit Committee are: 1) preparation and submission to the Board of Directors of recommendations for decision-making on accounting, financial reporting and auditing, internal control and risk management systems, operation of the Internal Audit Service; 2) operational interaction with the Management Board of the Exchange on the issues of the subject of its activities like accounting, financial reporting and auditing, internal control systems and risk management; 3) operational interaction with the Internal Audit Service and current control over its activities;

		4) operational interaction with the Exchange's auditing organizations. The number of members of the Audit Committee is at least three people. The main tasks of the Human Resources Committee are: 1) preparation and submission to the Board of Directors of recommendations for decision-making on the formation of the Exchange's Management Board, appointment and dismissal of other employees of the Exchange who are accountable to the Board of Directors (except for the head and employees of the Internal Audit Service), determining the amounts and terms of remuneration and bonuses for members of the Management Board of the Exchange and other employees of the Exchange who are accountable to the Board of Directors, remuneration for members of the Board of Directors and its committees, as well as for social issues, corporate governance issues and conflicts of interest in the field of corporate governance, business conduct and business ethics; 2) operational interaction with the Exchange's Management Board on the issues of the Exchange's personnel policy, the system of evaluation and remuneration of the Exchange's employees; 3) operational interaction with all or individual employees of the Exchange on their requests regarding issues of social support of its employees, labor protection and safety at the Exchange not regulated by the Management Board of the Exchange; 4) operational interaction with various persons upon their requests regarding conflicts of interest in the field of corporate governance at the Exchange, ignoring by the Exchange’s employees of its mission and corporate values, non-compliance by the Exchange’s employees with corporate principles and rules of corporate conduct, violation by executives and employees of the Exchange of the principles of business conduct and business ethics; 5) operational interaction with various persons upon their requests regarding the assistance of the Exchange to these persons or support by the Exchange of these persons outside the scope of its activity. The number of members of the Human Resources Committee is at least three people.
Criterion 4 The board of directors should include	Compliance	Shareholders ensure that the requirements for the skills and motivation of members of the Board of Directors are met by electing members with significant experience in the

qualified members with the knowledge and motivation for their various responsibilities. This generally implies involvement in the board of non-executive members (member).		banking, financial and scientific fields, a high level of personal competence, and professional and personal reputation. The system of motivation for members of the Board of Directors provides a level of compensation commensurate with the market level (financial sector, activities of credit institutions). Also, the motivation system encourages members of the Board of Directors to take an active part in its meetings, as well as in meetings of committees of the Board of Directors. The annual amount of remuneration for members of the Exchange's Board of Directors is determined depending on their role and active participation in meetings of the Exchange's Board of Directors and its committees. A sound remuneration policy motivates the members of the Board of Directors and ensures the achievement of the long-term goals defined at the beginning of Principle 2. The procedure for electing and determining the independence of members of the Exchange's Board of Directors is enshrined in the Regulations on the Board of Directors and the Corporate Governance Code of the Exchange. The assessment of the independence of the members of the Board of Directors is carried out on the basis of the submitted data on compliance with the independence criteria set out in the above documents on the basis of personal data of the members of the Board of Directors, their regular surveys and the collection of additional information on legal entities whose management bodies include members of the Board of Directors and/ or their relatives. For the current period, 10 members have been elected to the Board of Directors, 9 of them (excluding the Chairman of the Management Board) are non-executive directors, of which 3 are independent directors. All members of the Board of Directors of the Exchange have an impeccable business reputation, have sufficient experience and professional integrity necessary to manage the activities of the Exchange, including risk management, and also meet the qualification requirements for members of the Board of Directors established by the legislation of the Republic of Kazakhstan. Information about each member of the Board of Directors is posted on the Exchange Internet resource (https://kase.kz/en/kase_management/).
Criterion 5	Compliance	The Management Board of the Exchange is a collegial executive body and carries out

The roles and responsibilities of the management team should be clearly defined. An FMI's management should have the appropriate experience, skill mix, and morale necessary to fulfill their responsibilities for the purpose of management of activities and FMI risk management.		the current management of the Exchange. The Exchange's Management Board is accountable to the general meeting of shareholders and the Board of Directors. The main task of the Management Board is to implement the strategy and main activities of the Exchange, established by the General Meeting of Shareholders and the Board of Directors, as well as to implement other decisions of the General Meeting of Shareholders and the Board of Directors. Key performance indicators for members of the Management Board are set, reviewed and controlled by the Board of Directors. The competence of the Management Board of the Exchange includes all issues of managing the current activities of the Exchange, except for issues referred to the competence of the General Meeting of Shareholders or the Board of Directors of the Exchange. The executive body of the Exchange organizes the implementation of decisions of the General Meeting of Shareholders and the Board of Directors. The competence of the Management Board is defined in the internal documents of the Exchange. The current Management Board of the Exchange has sufficient experience and skills (information is available on the Exchange's Internet resource) to govern and manage the risks of the Exchange, meets the requirements for collegial executive bodies in terms of qualifications and business reputation established by the current legislation. The rights and obligations of the members of the Management Board are determined by the legislation of the Republic of Kazakhstan, the Charter of the Exchange, the Regulations on the Management Board of the Exchange and the employment contract concluded with each member of the Management Board and the Exchange. Under the Management Board there are: ✓ The Market Risk Committee, whose task is to analyze, monitor, identify and manage risks associated with the situation on the financial markets, the activities of the Exchange, its counterparties – members of the Exchange, clearing participants, issuers and investors, as well as preparing recommendations to the Exchange's Management Board; ✓ Information Security Committee, whose task is to minimize the likelihood of information security incidents and their possible damage, assess information security risks, adjust methods and means of ensuring information security, change relevant business processes, maintain and improve information security measures, prevent

		risks of information leakage of limited distribution, safety of the Exchange's tangible property; ✓ The Budget and Procurement Committee, whose task is to review and agree on the Exchange's income and expenditure budget, the capital expenditure budget, as well as projects for the procurement of goods, works and services, other issues related to the Exchange's procurement, monitoring the Exchange's income, reviewing projects to increase income and develop new products and services. The tasks and functions of the above Committees are defined in the relevant internal documents of the Exchange. Compliance with these requirements is ensured in the process of formation of the Exchange's Management Board. Early termination of powers of the Chairman of the Management Board and members of the Management Board of the Exchange is within the competence of the Board of Directors.
Criterion 6 The board of directors should develop a clear, documented risk management framework that includes the FMI's policy on risk acceptability, assignment of responsibilities and accountability for making risk decisions, and making decisions in crisis and emergency situations. Governance mechanisms should ensure that risk management and internal control units have sufficient authority, independence, resources and access to the board of directors.	Compliance	The risk management system of the Exchange includes: ✓ Internal documents approved by the relevant management bodies of the Exchange; ✓ The system of distribution of powers for risk management between management bodies and executives; ✓ Internal procedures and IT systems that ensure continuous identification, assessment and control of accepted risks, as well as informing stakeholders about the risks of the Exchange. The Board of Directors of the Exchange approved the Risk Management Policy, in accordance with which the Risk Management Unit operates at the Exchange, being responsible for: ✓ implementation of the Exchange's risk management policy in accordance with the laws and regulations of the Republic of Kazakhstan; ✓ identification, assessment, control and monitoring of the Exchange's risks; ✓ providing methodological and consulting assistance to the structural divisions of the Exchange on risk management issues; ✓ development and maintenance of an integrated risk management system; ✓ development and maintenance of an integrated system of management of the

		continuity of the Exchange 's activities. The activities of the Risk Management Unit are accountable to the Deputy Chairman of the Exchange's Management Board, who coordinates risk management activities, who is appointed to and dismissed from his position by a decision of the Exchange's Board of Directors. The Deputy Chairman of the Management Board is accountable in his activities to the Board of Directors and the Chairman of the Management Board. Employees of the Risk Management Unit report directly to the Chairman of the Management Board and supervising Deputy Chairman of the Management Board of the Exchange, and thus, in the performance of their functions, they are independent of the divisions that carry out operations related to risk acceptance. The powers of the management bodies for making decisions on risk management are determined by the Charter and internal documents of the Exchange: ✓ The Board of Directors is responsible for establishing the general principles of risk management and overseeing their implementation, in addition, approves the Clearing Rules, criteria for placing temporarily free cash, as well as the policy for ensuring business continuity and planning for financial recovery. The Board of Directors approves the documents defining the main principles of risk management and exercises control over the organization of the Exchange's risk management system, including an assessment of the effectiveness of the risk management system. To this end, the Board of Directors receives regular reports containing an analysis of the relevant risks. ✓ The Management Board is responsible for approving internal documents adopted in furtherance of the general principles of risk management, approves static risk parameters, limits on the placement of temporarily free funds, as well as action plans in emergency situations, the procedure for informing the ARDFM about emergency situations and other internal documents regulating detailed processes of interaction between departments in emergency situations, including the operation of the backup office; ✓ The Chairman of the Management Board makes operational decisions on risk management. In internal documents, the issue of risk tolerance is considered when determining the principles for forming an investment portfolio, incl. selection of counterparties and

		instruments when placing temporarily free funds of the Exchange, determination of approaches to assessing the reliability of counterparties and clearing participants (for example, through the internal rating system). In addition, the Exchange, being a qualified central counterparty, strictly complies with the requirements established by the control and surveillance authorities for the activities of non-bank credit institutions and/or clearing organizations – central counterparties in terms of limiting the risks assumed in the course of clearing activities and banking operations. The Compliance Service is an independent structural subdivision of the Exchange, accountable and controlled by the Board of Directors of the Exchange. The head and employees of the Compliance Service are appointed and dismissed by decisions of the Board of Directors of the Exchange. Compliance control at the Exchange is based, in particular, on the principle of independence, separation of competencies and responsibilities – employees of the Compliance Service do not hold positions concurrently in other divisions of the Exchange, they do not find themselves in a situation where a conflict of interests is possible between their responsibilities for managing compliance risk and any other duties assigned to them. The main purpose of compliance control is to ensure effective management of compliance risks in the Exchange's activities. Achievement of the main goal is determined by the need to protect the interests of the Exchange. The Compliance Service has all the resources necessary to carry out its functions, sufficient for the effective management of the Exchange's compliance risks. The functions of the Compliance Service include: ✓ carrying out, following instructions of the Board of Directors of the Exchange/committees of the Board of Directors of the Exchange, periodic inspections of the Exchange's compliance with the legislation of the Republic of Kazakhstan, as well as the laws of foreign states that influence the activities of the Exchange, internal documents of the Exchange in order to determine the degree of exposure of the Exchange to compliance risk; ✓ development and maintenance of a compliance risk reporting system and

		provision on a periodic basis of information on the Exchange’s compliance risk management issues to the Exchange's authorized bodies, including recommendations on eliminating violations and shortcomings in the Exchange's operation related to compliance risk management and anti-corruption compliance; ✓ development of internal documents in the field of combating corruption; ✓ submission for consideration by the Board of Directors of the Exchange of proposals on improving the methods and procedures for identifying, measuring, monitoring and controlling compliance risks, as well as developing recommendations aimed at improving the efficiency of the internal control system. The Internal Audit Service is an independent structural subdivision of the Exchange, which is part of the system of internal control bodies. The independence of the Internal Audit Service is ensured by compliance with the following requirements: ✓ The Internal Audit Service operates under the direct control of the Board of Directors; ✓ The Internal Audit Service does not carry out activities subject to audits, except for the cases provided for by the legislation of the Republic of Kazakhstan and the Charter of the Exchange; ✓ The Internal Audit Service, on its own initiative, reports to the Board of Directors on issues arising in the course of its functions and proposals for their resolution, and also discloses this information to the Chairman of the Management Board and the Management Board; ✓ The Internal Audit Service is subject to independent verification by an audit organization. The Internal Audit Service does not have the right to participate in banking operations and other transactions. The head and employees of the Internal Audit Service are not entitled to sign on behalf of the Exchange and endorse payment (settlement) and accounting documents, as well as other documents in accordance with which the Exchange accepts risks. Appointment (dismissal) of the Head of the Internal Audit Service is carried out on the basis of a decision of the Board of Directors. The Head of the Internal Audit Service is

		accountable and subordinate to the Board of Directors. The responsibilities of the Internal Audit Service include: ✓ implementation of internal audit in accordance with the requirements of the legislation of the Republic of Kazakhstan, regulations of the National Bank of the Republic of Kazakhstan, internal documents of the Exchange on the functioning of the internal control system and the implementation of internal audit; ✓ implementation of inspections in all areas of the Exchange's activities. The object of checks can be any structural subdivision and/or employee of the Exchange; ✓ verification and evaluation of the adequacy and effectiveness of the internal control and risk management system; ✓ monitoring the effectiveness of measures taken by departments, heads of business lines and management bodies based on the results of inspections that reduce the level of identified risks, or documenting the decision made by the head of a department/ line of business and (or) management bodies on the acceptability of the identified risks for the Exchange. Reports of the Internal Audit Service on the implementation of the Audit Plans are submitted to the Board of Directors for consideration. Copies of the reports are sent to the Chairman of the Management Board and the Board of the Exchange.
Criterion 7 The board of directors should ensure that the structure, rules, overall strategy, and key decisions of an FMI adequately reflect the legitimate interests of its direct and indirect participants, as well as other stakeholders. Information about major decisions should be clearly communicated to interested parties and, in case of large-scale effect on the market – to the public.	Compliance	Interests of interested parties and participants are identified and taken into account in the following ways: 1) directly through members of the Board of Directors and its committees, who are members of the management bodies of companies participating in the financial market and clients of the Exchange; 2) public events (forums, seminars, consultations). A conflict of interest is identified and effectively resolved in accordance with the Exchange's conflict of interest procedures. A conflict of interest may arise in the following cases: ✓ if an employee has access to confidential information that he does not use in his daily work; ✓ if the employee performs both the execution and control of the task;

		✓ if the employee receives expensive gifts and can use the information for insider trading, etc. The Exchange minimizes these risks by separating powers and functions, restricting access to information, implementing information security procedures and placing high demands on the competence of employees and management personnel. In addition, the Exchange, being an operator of trading and a public company, in accordance with applicable law, discloses information about material facts and decisions significant for clearing participants and shareholders by publishing a message about a material fact or decision in one or more sources: ✓ in the news feed of authorized news agencies; ✓ on the Exchange’s Internet resource. In addition, the Exchange publishes in the public domain internal methodological documents regulating the key processes of clearing activities, including the structure of the CCP protection system.
3. Comprehensive risk management system *An FMI should have a sound risk management system in place to manage legal, credit, liquidity, operational, and other risks in a comprehensive manner.* **Compliance**		
Criterion 1 An FMI should have risk management policies, procedures, and systems in place to identify, quantify, monitor, and manage all risks created by or sustained by the FMI. The risk management system must be subject to periodic review.	Compliance	The Exchange's activities are subject to the following main risks: 1) operational risks; 2) legal risks; 3) reputational risks; 4) compliance risks; 5) market risks; 6) risks of loss of liquidity; 7) credit risks; 8) systemic risks; 9) information security risks. At the same time, the Exchange manages these risks arising both in the course of

		settlement and clearing activities, activities on organizing trades in financial instruments, and in the placement of temporarily free funds (investment of own funds and collateral contributed by clearing participants). The Exchange's risk management system includes a set of processes, internal documents and measures for identifying, assessing risks and influencing risks, as well as controlling their condition in order to minimize or optimize the opportunities for the Exchange to receive financial losses due to adverse changes in risk factors. In order to control the level of the most significant risks, the Exchange also establishes risk appetite benchmarks, monitoring of which makes it possible to identify potential threats in a timely manner. Threshold values of risk appetite indicators are set based on the Exchange's strategic goals and are subject to annual review. The main document that regulates the Exchange's risk management measures is the Exchange's Risk Management Policy. This document describes the general principles of the Exchange's Risk Management System and determines the measures taken to manage all risks arising in the Exchange's activities. Peculiarities and differences in the functioning of the Risk Management System in individual markets are described in special parts of the Clearing Rules that reflect the specifics of the respective markets. In addition, policies and procedures have been developed and are being applied to manage risks associated with the placement of own funds and the provision of clearing participants. For risk management, data from the trading and clearing system, Back-office system, data from accounting systems for treasury and administrative operations, data from external data sources on clearing participants, counterparties and market indicators are used. At the same time, in order to identify, assess and control risks, specialized software products are developed that ensure the calculation and control of risk parameters, limits on operations of clearing participants and limits on counterparties, monitoring the financial position of clearing participants and counterparties of the Exchange. The systems being used make it possible to aggregate risks by clearing participants (including risks arising in relation to it as a clearing participant and as a counterparty for other transactions) and by products (markets). The Exchange's systems allow aggregating information on all clearing participants and their clients, as well as on the

		accounts of segregated clients. Risk management policies, procedures and rules are developed by the Risk Management Unit and the Clearing Chamber, coordinated with the departments concerned (including the Legal Unit) and approved by the relevant management bodies. The Board of Directors of the Exchange controls the effectiveness of the risk management system, for which it is provided with reports from the Risk Management Unit, as well as reports from the Internal Audit Service on the results of audits of risk management activities. The Exchange regularly analyzes and, if necessary, revises existing policies, procedures and risk management systems, taking into account changes in the legislation governing financial markets, taking into account the development of markets, and the results of analysis of the quality of the risk assessment models used.
Criterion 2 An FMI should create incentives for its participants, and, where appropriate, their clients, to manage and mitigate the risks they create to the FMI.	Compliance	To reduce its own risks, the CCP establishes requirements for the financial condition of clearing participants, on the basis of which categories are assigned to clearing participants that determine the method of securing obligations to execute transactions on a certain exchange market (trading modes of the exchange market). The CCP collects collateral from each clearing participant, the amount of which is revalued on a daily basis taking into account the estimated value of the financial instrument, minus coverage for a decrease in liquidity and an increase in price volatility for such a financial instrument. The list of financial instruments accepted as collateral for transactions with the CCP concluded in partial collateral regimes includes, in addition to money, the most liquid and reliable securities, while this list is updated taking into account changes in the market conditions of financial markets, as well as the availability of other information, indicating an increase in the risk of the issuer's insolvency and (or) a decrease in the liquidity of the financial instrument. In order to manage market risks under normal market conditions (conditions under which a two-day change in the prices of financial instruments amounts to a value not exceeding the initial margin rate for the specified financial instruments), the CCP uses: ✓ a system for determining the risk parameters of financial instruments; ✓ limits for opening positions of clearing participants in certain exchange

		markets; ✓ automatic control over the sufficiency of the collateral of the clearing participants (including a preliminary check of the orders submitted by the clearing participants for the sufficiency of the collateral); ✓ individual rates and limits of clearing participants in certain exchange markets. The management of market risks, liquidity risks, as well as systemic risks in conditions of increased volatility in the prices of financial instruments (conditions under which a two-day change in the prices of financial instruments amounts to values exceeding the initial margin rates for these financial instruments) is carried out by the CCP through: ✓ formation of clearing reserve and guarantee funds; ✓ control of sufficiency of guarantee contributions of clearing participants. The Trading and Clearing Systems disclose information on the requirements/obligations of clearing participants, as well as on the requirements for collateral for deals being concluded. In addition, the Exchange discloses all the necessary information about risk management on the Internet resource. Thus, clearing participants can manage the risks arising from cooperation with the Exchange. The Exchange imposes requirements for securing positions of clearing participants, promptly informs clearing participants about emerging margin requirements, and also sets penalty rates for the transfer of obligations in case of untimely default by clearing participants. The Exchange also discloses in advance information about changes in risk parameters that affect the level of coverage of positions of clearing participants. If the clearing participant's financial position deteriorates or the risk concentration levels are exceeded, the requirements for the clearing participant's collateral may be increased. The Exchange interacts with clearing participants through meetings and media. The Exchange provides clearing participants with regular reports and information. The Exchange makes publicly available the description and general provisions of its documents on clearing activities.
Criterion 3 An FMI should regularly review significant risks it sustains and creates for other entities (for example other	Compliance	The Exchange has a system to identify and evaluate risks. Purpose of the system and results of the procedures conducted within this system is to compile a risk register and based on a list of actually occurring or potentially possible events that have resulted or may result in losses for the Exchange. Significant risks evaluated by the Exchange as

FMIs, settlement banks, liquidity providers, or service providers) due to interconnectedness and put in place appropriate mechanisms to manage these risks.		"high" and "crucial" are tracked by means of monitoring of key risk indicators which are developed for significant risks of the Exchange based on results of their identification. As part of the procedure for identifying significant risks, the Exchange also takes into account the risks that may arise in its activities within interaction with other infrastructure organizations: ✓ CD; ✓ RSE "Kazakhstan Interbank Settlement Center of the National Bank of the Republic of Kazakhstan" (hereinafter – KISC); ✓ correspondent banks; ✓ liquidity providers. The mechanism for reducing identified significant risks includes development of measures and key risk indicators subject to requirements of article 6 of the Exchange Risk Management Rules. Credit, market, systemic risks and risks of liquidity loss, implementation of which may affect other organizations, are assessed by the Exchange at an acceptable level, because it is these risks that the risk management system focuses on in order to ensure financial stability of the Exchange, both as a trading platform and as a central counterparty: monitoring a financial condition of counterparties, establishing limits on placement of funds with counterparties, as well as limits on types of transactions, establishing risk parameters of financial instruments, the presence of a default management system, diversification of funds in correspondent accounts, etc. In order to cover losses, the Exchange creates reserves subject to its accounting policies in line with the IFRS. The Exchange conducts periodic monitoring of open sources searching for information on changes in international ratings and general negative information about counterparties of the Exchange.
Criterion 4 An FMI should identify scenarios that	Compliance	The Exchange develops scenarios that could potentially make it difficult for the Exchange to carry out critical operations and provide services on a continuous basis, within the framework of: 1) stress testing of market, systemic, credit risks and the risk of liquidity loss of the

can impede conduct by the FMI of critical operations and provision of services on a going concern basis and evaluate effectiveness of a full range of opportunities to plan restoration or orderly termination of operation. An FMI should prepare plans for restoration or orderly liquidation based on evaluation results. Where appropriate, an FMI should also provide relevant competent authorities with the information necessary to plan decisions.		Exchange in order to predict the likelihood and consequences of default of clearing participants, as well as assessing the sufficiency of current liquidity to cover the obligations of the Exchange; 2) stress testing of operational risks of the trading and clearing systems in order to timely identify the risk of failure/failure of systems in the process of providing services to trading participants and clearing participants and develop appropriate measures in order to reduce/eliminate the risk. To ensure an appropriate level of preparedness for quick response to a possible scenario of suspension of normal operating procedures, the Exchange has developed a Business Continuity Management Policy, Rules for Ensuring Continuity and Business Recovery (hereinafter – the Rules) and a Plan for Ensuring Business Continuity of the Exchange (hereinafter – the Plan). The decision to transfer the work of the Exchange to a crisis situation mode and activate the Plan is made in case of a threat or occurrence of a situation that entails disruption or cessation of the process of performing critical activities and the impossibility of their restoration in the conditions of daily functioning during the target time for restoration of activity. The Policy, Rules and Business Continuity Plan of the Exchange are from time to time reviewed and updated, including given external factors (occurrence of new types of emergency situations), as well as based on results of testing, improvement of the fault tolerance system and/or IT infrastructure of the Exchange. The Rules provide for a system for exchange of information between the Exchange and other FMIs in case of an emergency and further restoration of activities. In general, in order to ensure the continuity of the Exchange's provision of critical services in any situation, a general structure of the CCP protection levels, described in the Clearing Rules, and a business continuity management system, the functioning of which is described in the internal documents of the Exchange, have been created.
4. Credit risk *An FMI should ensure efficient assessment, monitor, and manage its credit risks that are created by the participants and its payment, clearing, and settlement processes. An FMI should maintain financial resources to fully cover the credit risk created by each participant in full volume and with a high degree of certainty. In addition, the CCP that deals with a more complex risk profile or is systemically important in several jurisdictions should have additional financial resources sufficient to cover a wide range of potential stress scenarios, which include, but are not limited to, the default of two major participants and their affiliates, that would potentially cause the largest total credit risk for the CCP under extreme but probable market conditions.* *All other CCPs should maintain total financial resources at least sufficient to cover default of one of the participants and its affiliates that potentially can*		

cause the largest credit risk for the CCP in extreme but probable market conditions. ***Mainly compliant*** **Criterion 3 of the Principle is not applicable**		
Criterion 1 An FMI should create a robust framework for managing the credit risks created by its participants posed by its payment, clearing, and settlement processes. Credit risk may be caused by current risks and/or potential future risks simultaneously.	Compliance	In accordance with the Clearing Rules, the Exchange takes the following measures to mitigate the credit risk associated with clearing and CCP activities: ✓ sets requirements for the financial position of the clearing participant; ✓ sets requirements for the clearing participants to deposit collateral; ✓ carries out preliminary control of the sufficiency of the clearing participant's collateral when submitting orders; ✓ performs revaluation of the value of the collateral and positions of the clearing participants and control of the sufficiency of the collateral of the clearing participants; ✓ forms guarantee funds; ✓ at least on a daily basis performs a revaluation of the value of securities and foreign currency accounted for as contributions to guarantee funds; ✓ sets requirements for depositing collateral depending on the ratings of clearing participants; ✓ limits its liability. In addition, the Exchange regularly carries out: ✓ monitoring of compliance with the requirements for the financial position of clearing participants; ✓ assessment of the financial position of all counterparties; ✓ setting limits for placing funds with counterparties, as well as trading limits; ✓ monitoring of internal and external events and factors that may have a significant negative impact on the ability of counterparties to fulfill their obligations to the Exchange. The Exchange periodically reviews the mechanisms for managing credit risk, as well as risk profiles as they change due to: ✓ changes in the market situation; ✓ changes in regulation;

		✓ introduction of new products and implementation of projects. Monitoring of the financial condition of a member of the Exchange includes: 1) verification of compliance by a member of the Exchange with prudential standards and/or other essentially similar standards or indicators in accordance with the requirements of applicable law; 2) control over compliance by a member of the Exchange with the requirements for the minimum amount of authorized and equity capital established by the legislation of the Republic of Kazakhstan and the Membership Regulations – for members of the Exchange who are legal entities of the Republic of Kazakhstan, and the Membership Regulations – for foreign members of the Exchange; 3) assessment of the financial condition of a member of the Exchange in accordance with the Methodology for assessing the financial condition of members of the Exchange. Checks of compliance by a member of the Exchange with the requirements of legislation and internal documents of the Exchange include: 1) checking the completeness and timeliness of information disclosure by a member of the Exchange; 2) monitoring the financial condition of a member of the Exchange; 3) verification of fulfillment by a member of the Exchange of the requirements to its risk management system; 4) verification of compliance by a member of the Exchange with the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Exchange when participating in trades conducted by the Exchange, implementation of pre-trading and post-trading procedures and other actions related to participation in trades conducted by the Exchange and membership in the Exchange, which is carried out by the structural divisions of the Exchange within their competencies and in accordance with the internal documents of the Exchange.
Criterion 2 An FMI should identify sources of credit risk, measure and monitor credit risk on a regular basis, and use appropriate risk	Compliance	Sources of credit risk for the Exchange are identified on the basis of procedures established by the Exchange's internal documents. The main sources of credit risk for the Exchange are:

management tools to control such risks.		✓ clearing participants and their ability to meet their obligations; ✓ counterparties and issuers when placing temporarily free funds (investing) on the Exchange; ✓ settlement organizations; ✓ suppliers of goods/services of the Exchange. The Exchange uses the following control mechanisms for credit risks of clearing participants: ✓ application of the principle of "delivery against payment" or advance delivery by clearing participants which guarantees transfer of securities only after payment is made; ✓ preliminary control of collateral sufficiency before making transactions by clearing participants (pre-order validation); ✓ setting limits (risk parameters) under financial instruments; ✓ changes in the requirements for the security of transactions; ✓ regular stress and back testing; ✓ formation of clearing reserve funds for all markets. The effectiveness of the applied mechanisms is measured against the actual losses incurred, as well as with the help of numerous back- and stress tests. The credit risk of counterparties and issuers when placing temporarily free funds (investing), as well as settlement organizations of the Exchange, is regulated by limits established by the Asset Investment Policy. The credit risk of suppliers of goods/services of the Exchange is mitigated by payment terms and conditions upon delivery of goods/services
Criterion 3 A payment system or SSS should cover its current and, if any, potential future risks created by each of the participants in full with a high degree of assurance with the help of collateral and other similar financial instruments (see	Not applicable	Not applicable to the Exchange. The Exchange doesn't carry out functions of a payment system or SSS.

Principle 5 on collateral). In case of payment systems with deferred net settlement or SSS with deferred net settlement, where there is no guarantee of settlement but the participants are exposed to credit risks created by their payment, clearing and settlement processes, the FMI should maintain at least sufficient resources to cover the risks posed by the two participants and their affiliates, capable of causing the largest aggregate credit risk in the system.		
Criterion 4 The CCP should cover its current and potential future risks created by each of the participants in full volume and with a high degree of assurance using guarantee deposits and other prepaid financial resources (see Principle 5 on collateral and Principle 6 on margin/deposit). In addition, the CCP dealing with a more complex risk profile or is systemically important in multiple jurisdictions should maintain financial resources sufficient to cover a wide range of potential stress scenarios, including but not be limited to, a default of two major participants and their affiliates, which could cause the largest total liability for the CCP under extreme but probable market conditions.	Compliance	As security for the fulfillment of obligations by a clearing participant with partial collateral on trades concluded on the terms of partial collateral, KASE establishes: ✓ requirements for partial collateralization of net obligations under deals recorded on clearing accounts and submitted orders of such clearing participants and calculated taking into account the specifics established for certain exchange markets by the Clearing Rules; ✓ requirements for making a guarantee fee on the relevant exchange market. As security for the fulfillment of obligations by a clearing participant with partial collateral on trades concluded on full coverage terms, KASE establishes requirements for full coverage of net liabilities in those financial instruments in which they arise as a result of conclusion of such deals. As security for fulfillment of obligations of clearing participants with full coverage, the Exchange establishes requirements for full coverage of net obligations on all clearing accounts of such a clearing participant. A clearing participant without collateral does not provide collateral and does not pay guarantee fees. A clearing participant with partial collateral is obliged to form collateral for concluded

All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios, which should include, but not be limited to, a default by a single participant and its affiliates, which could potentially result in the largest aggregate credit risk for the CCP under extreme but probable market conditions. In all cases, the CCP must document the justification for the amount of total financial resources it maintains and have relevant mechanisms for their management.		but unsettled trades with the CCP, as well as submitted orders for making deals with the CCP on the terms of partial collateral: 1) in the stock market in the amount at which the value of the single limit, calculated in accordance with the specifics of the stock market, on the trading and clearing account from which deals with partial collateral are concluded was not negative; 2) in the foreign exchange market in the amount at which the value of the single limit, calculated in accordance with the specifics of the foreign exchange market, on the trading and clearing account from which deals are concluded with partial collateral, was not negative. 3) on the derivatives market in the amount of the margin calculated in accordance with the characteristics of the derivatives market. The list of financial instruments accepted as collateral for deals with partial collateral on a certain exchange market is determined by the T+ Collateral List, established in accordance with the Procedure for Including Financial Instruments in the T+ List and the T+ Collateral List. The guarantee of completion of settlements on deals made with the participation of the CCP is provided through settlements based on multilateral netting and the construction of a multi-stage default management system designed to settle outstanding net obligations of clearing participants. To cover a wide range of stress scenarios, including the simultaneous default of the two largest clearing participants, the Exchange uses the protection system described above. The Exchange evaluates the sufficiency of financial resources to cover a wide range of potentially stressful scenarios within the framework of: ✓ revision of the sufficiency of clearing funds, carried out at least once a year; ✓ comprehensive stress testing.
Criterion 5 The CCP should regularly define the volume and test the sufficiency of its total financial resources available in the event of a default by one or more	Partially observed	On a quarterly basis, no later than the last working day of the second month of the quarter, the Exchange monitors the compliance of financial instruments with the requirements for inclusion in the collateral lists. Based on the monitoring results, the clearing division prepares an opinion on the compliance of financial instruments with the requirements (hereinafter – the

participants under extreme but probable market conditions through stress tests. The CCP should have clear procedures for reporting the results of stress testing to the relevant decision-making bodies in the CCP, and use the obtained results to assess the adequacy and change in value of its of total financial resources. Stress testing should be performed daily using standard and predetermined parameters and assumptions. At least once a month, the CCP should conduct a comprehensive and thorough analysis of the used scenarios, models and base parameters, assumptions of stress testing to ensure their compliance when determined a required protection level of CCP against default, taking into account current and developing market conditions. The CCP should carry out such analysis of the stress test more frequently when clearing products or markets being served demonstrate high volatility, become less liquid, and also when the size or the concentration of positions of the CCP members increases significantly. A full check of the CCP's risk management model should be carried out at least once a year.		“Conclusion”) and submits it for consideration by the authorized bodies of the Exchange. Sufficiency of the Exchange's financial resources to cover losses from materialization of significant risks arising in the Exchange's activities in case of exceptional but probable events (stress testing of financial resources), includes: ✓ the sufficiency of the Exchange's total financial resources to cover the total losses; ✓ sufficiency of guarantee funds. The sufficiency of total financial resources is determined by the value of the total loss coverage ratio, which is the ratio of the difference between the volume of the Exchange's total financial resources and total losses to the volume of total financial resources. The total financial resources of the Exchange are represented by the sum of capital and clearing funds (guarantee and reserve). Aggregate losses from the implementation of stress testing scenarios for significant risks arising in the Exchange's activities may include: ✓ losses from closing positions of unconscientious clearing participants (CC credit risk); ✓ losses from non-performance of obligations by the Exchange's counterparties/bond issuers/ (credit risk of the Exchange's investment activities); ✓ losses from the revaluation of assets and liabilities of the Exchange in case of unfavorable changes in market indicators (market risk). Based on the results of stress testing, the Exchange's management bodies may, depending on their competence, determined by the Charter and other documents of the Exchange, decide to put into effect measures aimed at reducing the risks of the Exchange: ✓ change in the amount of individual clearing collateral/method of determining the amount of collateral; ✓ change in the amount of contributions to guarantee funds / revision of approaches to determining the amount of contributions to the guarantee fund;

		✓ increase in own funds (capital) of the Exchange; ✓ change in risk parameters of financial instruments; ✓ other measures aimed at reducing the risks of the Exchange. Stress testing scenarios are reviewed on an ongoing basis. The Management Board of the Exchange periodically checks the effectiveness and compliance of the parameters and prerequisites of stress testing with the current economic conditions. On a daily basis, the Exchange tests the risk parameters of financial instruments for compliance with the calculated values set by the authorized bodies of the Exchange. If necessary, the established risk parameters for financial instruments are reviewed and submitted for approval by the collegial body of the Exchange at the Management Board. In accordance with the Exchange Risk Management Policy and Rules, the Risk Management Division conducts quarterly stress testing of credit, market, systemic, and liquidity risks in order to assess the potential impact of exceptional but possible risk events on the Exchange. According to the Risk Management Rules, a full audit of the stress testing model used at the Exchange is carried out by the risk management unit at least once a year, with the results of the audit being provided to the member of the Management Board supervising the risk management unit.
Criterion 6 When conducting stress testing, the CCP should take into account the consequences of a wide range of relevant stress scenarios, both in terms of defaulting participants and possible price changes during liquidation periods. Scenarios should take into account peak values of historical price volatility, changes in other market factors such as price determinants and yield curves, multiple defaults over different time	Compliance	To form a set of acceptable predictive stress testing scenarios, the Exchange takes into account extreme historical changes in risk factors, then applies expert judgment to adjust them taking into account the current economic situation (if necessary). Exchange stress testing scenarios include: ✓ extreme changes in the main risk factors (currency rates, stock indices, yield curves, price volatility), which are determined in accordance with the rules described above; ✓ defaults of clearing participants / bond issuers / counterparties (including the default of the two largest participants and the default of the two largest counterparties / issuers of bonds of the Exchange's investment portfolio); ✓ contraction of liquidity as a result of the outflow of collateral placed in the form of

periods, concurrent pressures on finance and asset markets, and a number of forward-looking stress scenarios in various extreme, but probable market conditions.		cash (for liquidity stress testing); sensitivity analysis to individual risk factors. The Exchange's clearing rules provide for such a structure of financial resources that allows covering losses resulting from the default of any clearing participant. If these financial resources are insufficient to cover the losses as a result of a participant's default, the Clearing Rules make it possible to allocate the loss and positions of an unconscientious participant among the non-defaulting participants whose positions are opposite to those of the unconscientious participant. To fulfill the requirements of bona fide clearing participants, the Exchange performs actions in the following sequence: ✓ uses available cash/securities; ✓ in case of insufficient free cash/securities, enters into swap transactions to borrow the missing asset; ✓ in case of shortage of securities/cash, it enters into REPO transactions. The procedures provided for by the clfearing rules, including the procedure for forced closing of positions, ensure the fulfillment of obligations to liquidity providers (bona fide clearing participants). The clearing rules in all markets provide for the reimbursement of the guarantee fund in the event that contributions are utilized after the clearing participant receives notification from the Exchange. In addition, the Business Continuity Management Plan provides for the Exchange's actions in the event of a decrease in capital to a level that threatens the continuity of the provision of services (approaching the minimum values of the Exchange's own funds (capital) adequacy ratios).
Criterion 7 An FMI should fix clear rules and procedures of full coverage of credit losses that it may incur as a result of individual or aggregate default by its participants in respect of their obligations to the FMI. These rules and procedures should regulate distribution	Compliance	In accordance with the Methodology for determining and assessing the size of clearing funds, in order to assess the amount of possible potential losses arising in the event of default on financial instruments of the same type, a sample of relative changes in market prices of financial instruments is formed based on the fundamental parameters established by the Market Risk Committee. Possible losses in case of default by the two largest clearing participants are determined, and are further taken into account in calculating the size of clearing funds (guarantee and reserve funds). In the event of a default of a clearing participant, the

<table>
<tr><td>of potentially uncovered credit losses, including the return of funds borrowed by the FMI from liquidity providers. These rules and procedures should also determine the FMI's process for replenishing the financial resources which it may use in case of occurrence of a stress event so that the FMI can continue to operate safely and securely.</td><td></td><td>default settlement procedure is applied according to the “Waterfall” principle, the first level is the funds of the clearing participant on the account (margin), the second is the guarantee fee, the third is the reserve fund, the fourth is the guarantee fund, the fifth is the termination of obligations of the unconscientious participant</td></tr>
<tr><td colspan="3">5. Collateral
An FMI that requires collateral to manage its or its participants' credit risk should accept collateral with a low credit, liquidity, and market risk. In addition, an FMI should set and enforce reasonably conservative minimum rates and concentration limits.
Compliance</td></tr>
<tr><td>Criterion 1
As a rule, an FMI should limit types of assets it (as a rule) accepts as a collateral to assets with low credit, liquidity, and market risk.</td><td>Compliance</td><td>Financial instruments accepted as collateral for transactions with the central counterparty on a partial collateral basis are:
✓ in the foreign exchange market - currencies included in the T+ Collateral List;
✓ on the stock market – securities and currencies included in the "List of Collateral T+";
✓ in the derivatives market – national currency and US dollars.
In order to include a financial instrument in the T+ Collateral List and quote it in the specified list, such a financial instrument must meet the following criteria:
1) be included in the T+ List;
2) meet the requirements for liquidity and reliability;
3) in relation to government securities of the Republic of Kazakhstan and non-government bonds, meet certain requirements;
4) as of the date of monitoring for compliance with the requirements for inclusion of financial instruments in the T+ List within 6 (six) consecutive calendar months preceding the date of said monitoring, there are no cases of:
✓ failure of the issuer of such a financial instrument to fulfill its obligations or upon receipt by the Exchange of information indicating a deterioration in the financial condition of the issuer of such a financial instrument, as a result of</td></tr>
</table>

		consideration of which the financial instrument ceased to meet the reliability criteria established by this Procedure; ✓ the occurrence of cases of non-fulfillment by the issuer or the initiator of admission of such a financial instrument of the requirements for disclosure of information on planned changes to the securities issue prospectuses, issue prospectuses of a bond program and other documents that determine the procedure and terms of redemption, payment of coupon interest for bonds, as well as the timing of fixing the register of holders for making such payments, the amount of coupon payments, the nominal value for bonds, as well as other characteristics of the security that affect the determination of its value, maturity, terms and amounts of coupon payment or dividends; ✓ the occurrence of cases of non-fulfillment by the issuer or the initiator of admission of such financial instrument of the requirements for disclosure of information on corporate events of the issuer of securities; ✓ announcement of the issuer of this financial instrument on the repurchase/exchange of this financial instrument; ✓ other cases of significant changes in market conditions, prices of financial instruments, increased market volatility. 5) in relation to the financial instrument, there is an analytical opinion of the division responsible for managing the liquidity of the CCP on the possibility of carrying out the forced liquidation of outstanding obligations within one trading day; 6) in relation to foreign currency, the value of the approved concentration limit for such foreign currency is at least 10 (ten) billion tenge in equivalent.
Criterion 2 An FMI should establish prudential valuation methods and determine discounts that are regularly tested given stressful market situations.	Compliance	The Exchange as the CCP daily in the exchange markets: 1) establishes new values of risk parameters of financial instruments in accordance with the procedure specified by the Exchange's internal documents; 2) performs revaluation of collateral and open positions of clearing participants; 3) for each trading and clearing account, it calculates the collateral sufficiency for transactions with the CCP and fixes the margin-call (if any).
Criterion 3 To reduce the need for procyclical adjustments, an FMI should establish	Compliance	The Exchange calculates and sets the risk parameters of financial instruments in accordance with the procedure determined by the Exchange's internal documents. Minimization of procyclicality is achieved, among other things, through the use of the

stable and conservative discounts that take into account periods of market stress to the maximum extent practicable and reasonable.		minimum threshold level of risk parameters of financial instruments.
Criterion 4 An FMI should avoid concentration of certain assets if this may significantly reduce the ability of quick liquidation of such assets without a significant adverse price effect.	Compliance	The Exchange sets concentration limits based on analyzed market volumes. The positions of clearing participants, as well as collateral, exceeding such limits, are revalued at the highest rates of the risk parameters of financial instruments. The Exchange re-evaluates the concentration limits in accordance with the procedure established by the Exchange's internal documents.
Criterion 5 An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure the opportunity of its use in a timely manner.	Compliance	The collateral accepted by the Exchange in the form of foreign currency may be accounted for by the Exchange's correspondent banks on the basis of agreements with these banks. The Exchange minimizes the risks associated with accepting cross-border collateral by entering into agreements only with reliable correspondent banks (with investment grade).
Criterion 6 An FMI should use an organized and operationally flexible collateral management system.	Compliance	The main characteristics of the Exchange's collateral management system include the following: ✓ for the purpose of verifying assets in collateral, the latter are recorded in registers of the same level as the corresponding positions; ✓ the asset management system in the Exchange's collateral allows accounting for collateral both on own and client accounts (omnibus and segregated); ✓ the same accounts where the collateral is recorded are used for deliveries under contracts, which gives additional operational flexibility for clearing participants; ✓ the Exchange's collateral asset management system allows you to deposit, withdraw, transfer between accounts, replace and sell collateral within one day (after checking the sufficiency of assets in collateral). Accounts for recording collateral can be used by clearing participants only to secure transactions with the Exchange, the rights to sell collateral in the event that clearing participants fail to fulfill their obligations to the Exchange are enshrined in the legislation of the Republic of Kazakhstan on the securities market, as well as in the

		Clearing Rules. It is impossible for the Exchange to reuse securities provided by clearing participants as collateral. At the same time, the Exchange has the right to use the funds provided by the clearing participants in its own interests. The collateral management system has a high level of operational flexibility and allows you to take into account changes in market conditions or the positions of clearing participants immediately. The collateral adequacy check is carried out by evaluating the collateral of current positions and active orders, all positions are taken into account immediately.
6. Guarantee deposit *CCPs must cover their credit created by its participants across all products through an efficient system of guarantee deposits that takes into account risks and is regularly revised.* **Compliance**		
Criterion 1 The CCP should have a system of guarantee deposits comparable to the risks and specific characteristics of each product, portfolio and market serviced by it.	Compliance	The Exchange's collateral requirements calculation system uses scenario analysis to determine the potential losses of the Exchange in the event that the default management procedure is applied to clearing participants. Currently, the Exchange has documented the procedure for calculating the risk parameters used in determining the requirements for collateral, as well as the principles for calculating the adequacy of collateral. The amount of the collateral requirement takes into account the peculiarities of price fluctuations, liquidity and the structure of each of the financial instruments being serviced, and also makes it possible to estimate possible losses. All deals cleared by the Exchange are subject to preliminary check which means that all deals are checked against existing collateral using the Exchange's margining model before they are approved by the trading system. As a result, new deals cannot lead to exposure of clearing participants' positions. Lack of collateral can only arise as a result of revaluation of positions or in the event of a change in risk parameters. If the clearing participants have a shortage of collateral, the Exchange takes the following measures: ✓ prohibits the clearing participant from increasing positions (until the lack of collateral

		is eliminated, only deals that reduce the collateral requirement are allowed); ✓ sends a request to the clearing participant to add the collateral (margin call) under the clearing session. All actions performed by the Exchange, clearing participants, as well as the interaction of the Exchange with the CD, occur within the time limits set in the Clearing Rules. The Exchange ensures the compliance with the deadlines for the fulfillment of margin - call margin requirements by declaring a default of clearing participants in the event that clearing participants do not fulfill their obligations on margin requirements, as well as by closing the positions of such clearing participants.
Criterion 2 The CCP should have a reliable source of timely data about prices used in its guarantee deposit system. In addition, the CCP should apply procedures and a reliable valuation model in place in circumstances where price data are missing or unreliable.	Compliance	The main source of price data is up-to-date information on orders and deals of clearing participants for relevant instruments on the Exchange's markets. The Exchange also uses up-to-date information from other market data providers as an alternative and for quality control purposes. Market data for the Exchange's margining model is data from the Exchange's own database, including trading activity on the Exchange's markets. In addition, OTC quotes are sourced from other market data providers. Only relevant and timely price information is used. The reliability of information is assessed by experts. The methodology disclosed on the Exchange's Internet resource describes the criteria used to determine whether the information is reliable and timely, as well as the procedure for determining the settlement prices of the Exchange.
Criterion 3 The CCP should use initial margin models and parameters that take into account risks, and develop margin requirements sufficient to cover its potential future risks with respect to the participants during a period between the last margin collection and liquidation of positions following a participant's default. The initial margin must meet fixed in each separate case confidence level of at least 99 percents with respect	Compliance	The main approach used in the model is the search for the worst case scenario. The initial margin model takes into account the characteristics of the instruments and therefore is applied with slight differences, taking into account the characteristics of each of them. The scenarios used in margining models are calibrated on historical data, as well as taking into account potential scenarios for changing risk factors. The margining model is based on the following assumptions: ✓ Potential future positions are the result of possible price fluctuations leading to revaluation of the positions of the clearing participants. ✓ Losses due to price fluctuations during the liquidation period in the event of a clearing participant's default should be covered from the participant's collateral as a

to the estimated allocation of future risks. For the CCP that determines the margin at the portfolio level, this requirement applies to the allocation of future exposures in each portfolio. For the CCP that calculates the margin with more details, for instance at the level of a sub-portfolio or product, this requirement to allocation of future risks must be met for appropriate allocation. The model must (a) include a conservative estimate of time horizons to effectively hedge or liquidate certain types of products cleared by the CCP (including under stressful market situations), (b) include a relevant method of measuring credit risk that accounts the risk factors for each relevant product, and the effect of portfolio risks on different products, and (c) limit the need for destabilizing pro-cyclical changes to the greatest extent possible and reasonably.		first layer of protection under normal market conditions. The collateral requirement is calculated at the portfolio level, however, the Exchange only takes into account those effects in the collateral calculation model that have been fundamentally confirmed and validated. When determining the closing time for each instrument, the Exchange takes into account its current level of liquidity (trading volumes, etc.), possible outflow of liquidity from a particular product, and also considers the entire range of possible hedging instruments in general. In markets where the need for liquidity to liquidate large positions is considered the most acute, the Exchange also uses higher rates for the risk parameters of financial instruments in case concentration limits are exceeded. The limits themselves and the corresponding risk parameters are determined based on the assumption that positions are gradually closed over a longer period of time in order to avoid significant changes in the price of the relevant financial instrument. When determining the risk parameters, the Exchange uses historical data on concluded deals, taking into account qualitative indicators, such as the relevance of the data used in terms of changes in the macroeconomic environment, as well as the relevance of instrument-specific risk factors that were valid for the available period. Depending on the liquidity structure of the portfolio instruments and the impact of the hedging effect within the defaulter's portfolio, the Exchange selects the optimal position liquidation strategy in terms of minimizing losses.
Criterion 4 The CCP should carry out evaluation of participants' positions based on current market prices and charge a variation margin at least once a day with a view to limit the accumulation of current risks. The CCP should have the authority and operational capability to make daily calls	Compliance	The Exchange conducts a preliminary check of the sufficiency of collateral for all orders so that there are no situations of shortage of collateral due to the participant's trading activity. *On the stock market* There is control over the sufficiency of collateral on clearing accounts (own or client) of clearing participants of the stock market by calculating a single limit for each clearing account of a clearing participant. If, based on the results of checking the sufficiency of margin collateral, the single limit is negative, the need to fulfill the margin requirement

to participants for initial margin or payments, both scheduled and unscheduled.		for adding margin collateral in the amount at which the value of the single limit is positive. *On the foreign exchange market* There is control over the sufficiency of collateral for a clearing participant in the foreign exchange market is provided based on the single limit values. If, based on the results of the collateral sufficiency check, the single limit is negative, the clearing report shall specify the requirements for the need for the clearing participant to add collateral (margin call) resulting from the single limit taking a negative value. The requirement is considered fulfilled at the moment when the value of the single limit ceases to be negative. *On the derivatives market* Guaranteed collateral for clearing derivatives market participants is provided. To determine net claims/net liabilities on the trading and clearing account of a clearing participant in the derivatives market, KASE uses the variation margin, which is calculated in the manner determined by the specification of the relevant derivative financial instrument during the final clearing session by the Exchange, and is made up of the amounts of the variation margin on each deal concluded by the clearing participant. If the amount of money on the collateral account (own or client) of the clearing participant becomes less than the required amount of collateral, the clearing participant has an obligation to fulfill the margin-call before 13:00 o'clock of the next clearing day.
Criterion 5 In calculating requirements to making an extra margin, the CCP shall be eligible to allow a setoff or reduction of the required margin with respect to the products it clears personally and also with respect to the products it clears jointly with another CCP, if the risk under one product is significantly and reliably correlated with the risk under	Compliance	The Exchange allows a reduction in the requirements for collateral for concluded deals, if divergent positions are formed from deals in the same financial instrument. The Exchange monitors the robustness of the portfolio effect through daily back-testing of the sufficiency of collateral to cover the revaluation of financial instruments and participants' portfolios. The Exchange does not have cross-margin agreements with other central counterparties.

another product. Where two or more CCPs are eligible to apply a cross margin (a cross guarantee deposit), they should have in place appropriate security measures and a harmonized overall risk management system.		
The CCP should analyze and monitor the operation of its margin model and overall margin coverage by conducting rigorous back tests on a daily basis, and at least once a month, and more frequently, if necessary, a sensitivity analysis. The CCP should regularly evaluate the theoretical and empirical properties of the margin model under all products it clears. In undertaking a sensitivity analysis of the coverage model, the CCP must take into account a wide range of parameters and assumptions that reflect possible market conditions, including among other things periods of the highest volatility in the markets it serves and extreme changes in price correlations.	Compliance	Back testing of risk parameters rates is carried out daily when risk parameters are set based on the frequency of rate breakouts.
Criterion 6 The CCP should regularly check and evaluate its system of margins.	Compliance	The Clearing Chamber periodically tests and validates the model parameters. The results of assessing the quality of models, as well as proposals for their change, are submitted for consideration by the Management Board.
7. Liquidity risk *An FMI should effectively assess, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all required currencies to make settlement of payments same day and, if necessary, within one or more days with a high degree of reliability, in accordance with a wide range of*		

potentially stressful scenarios, including, but not limited to, default of the participant and its affiliates, which could result in the largest total liabilities Liquidity FMI in extreme but probable market conditions. The Treasury assesses and manages liquidity risk using information received from the Exchange's structural subdivisions, making forecasts using mathematical methods and other imperative methods. If necessary, the Treasury, by decision of the authorized bodies of the Exchange, with the help of a third-party organization (brokerage organization), can raise liquid resources or raise liquid resources within the framework of default management procedures (Principle 13 of CPSS - IOSCO). The CCP has agreements on making swap and purchase/sale transactions with Provider Banks (in CNY, EUR, RUB currencies) during the main trading sessions and an agreement with the National Bank of the Republic of Kazakhstan (issuing central bank) on providing liquidity to the CCP before 18:30 o'clock of the trading day on the principles of urgency and repayment (USD, KZT). The Exchange believes that EUR and RUB lines are not highly reliable and may not be available in highly stressed market conditions. The CCP has stress scenarios for valuing a large aggregated position of clearing participants that would result in the largest aggregate liquidity obligation for the CCP under extreme but objective market conditions. **Mainly Compliant** **Criterion 3 of the Principle is not applicable**		
Criterion 1 An FMI should have a sound system in place to manage the liquidity risk created by its participants, settlement banks, nostro agents, depository banks, liquidity providers, and other entities.	Partial compliance	The CCP relies on incoming payments in its favor to fulfill obligations to participants. In case of violation of payment discipline by the participants for various reasons, including technical ones, after the end of the main trading session, the CCP does not have the tools to raise the necessary liquidity to cover its obligations outside the trading session. The CCP has the ability to prepare liquidity beforehand by selling through a broker the financial instruments in the secondary market in its trading system, earlier acquired by investing margin, or execute transactions in the money market to provide liquidity through a broker, except in the event of settlement of defaults in accordance with Principle 13. However, these opportunities do not fully cover the liquidity risk, since it is impossible to fully predict the onset of a default. In accordance with the legislation of the Republic of Kazakhstan, the CCP invests margin collateral in the manner prescribed by the internal documents of the CCP as part of the risk management system of the CCP with the involvement of a brokerage organization due to the combination of trading organization activities. If it is necessary to carry out urgent liquidity management operations, the CCP submits orders to the broker, who, in turn, directly executes the order in the trading system of the trading operator or in relation to accounts opened for the CCP with the broker: to transfer

		money from brokerage accounts to accounts for clearing activities, conclusion of deals for sale of financial instruments acquired by investing margin contributions, and the conclusion of REPO transactions, the underlying asset of which are financial instruments acquired by investing margin contributions of clearing participants. If the brokerage organization fails to execute the orders of the CCP, at the time of need, the CCP bears the risks associated, among other things, with the operational risks of the broker. In turn, the CCP, together with the NBRK, has developed a mechanism for providing the CCP with liquidity from the NBRK outside trading sessions (through REPO and SWAP operations). The conditions for providing liquidity are currently in the process of approval by the Technical Committee of the NBRK.
Criterion 2 An FMI should have effective operational and analytical tools in place to identify, measure, and monitor its settlements and financial flows on an ongoing and timely basis, including the use of liquidity during an operating day.	Compliance	For real-time monitoring of settlement and financial flows, data from clearing and settlement systems, as well as treasury liquidity management systems are used. Analytical tools for assessing and monitoring liquidity include GAP analysis and statistical analysis of inflows and outflows using a methodology close to VaR and methods of analysis and forecasting of time series.
Criterion 3 A payment system or SSS, including using the DNS (delayed net settlements) mechanism, must maintain sufficient liquid resources in all relevant currencies to make settlements under payment obligations on the same day, and, if necessary. Within one day or several days, with a high degree of certainty, under a wide range of potential stress scenarios, which should include, but not be limited to, default of one of the participants and its affiliates, capable of creating the largest	Not applicable	Not applicable to the Exchange. The Exchange does not function as a payment system or SSS.

aggregate payment obligation in extreme but probable market conditions.		
Criterion 4 The CCP should maintain sufficient liquid resources in all relevant currencies to make securities-related settlement payments, make necessary payments under variation margin, and meet other payment obligations in a timely manner with a high degree of certainty subject to a wide range of potential stress scenarios, which include but are not limited to the default of one by the private trader and its affiliates, which may potentially create the largest aggregate payment obligation for the CCP in extreme but aggregate market conditions. In addition, the CCP that is involved in activities with a more complex risk profile or is systemically important in multiple jurisdictions should consider maintaining additional liquid resources sufficient to cover a wide range of potential stress scenarios, which include but are not limited to, a default of two participants and their affiliates, which could potentially create the largest total payment obligation for the CCP in extreme but probable market conditions.	Partially observed	The liquid resources of the CCP are formed from margin contributions, full and (or) partial security for the fulfillment of obligations under deals concluded in the trading system of the stock exchange using the open trading method and (or) with the participation of the CCP, as well as from assets acquired as a result of investments in guarantee or reserve funds of the CCP, and agreements concluded by the CCP and clearing participants on acting as providers in case of shortage of liquidity for the purposes of default management of the clearing participant. Currently, the sufficiency of liquid funds to fulfill the Exchange's obligations on time and in full (liquidity stress testing) is determined by liquidity ratios based on the analysis of liquidity gaps by maturity and currency at different time horizons. To form scenarios for stress testing of liquid funds, the following is used: • modeling the outflow of excess funds of individual clearing collateral for the largest defaulters; • modeling the outflow of funds to fulfill the Exchange's obligations to clearing participants. Trading modes with the CCP are held in the settlement currencies KZT, USD, EUR, CNY, RUB. The CCP forms margin collateral in the currencies KZT, USD and maintains the necessary level of liquidity on the accounts for clearing activities within the risk management system of the CCP. In the event of a liquidity risk in currencies EUR, CNY and RUB, the CCP relies on agreements concluded with Provider Banks within the scope specified in the agreement with Provider Banks, while these agreements are in the nature of the "best effort method" and if the Provider Bank cannot provide liquidity, then the CCP is forced to look for other ways to raise liquidity, such as concluding a swap deal at the main trading sessions. Instruments for raising liquidity after the close of the main trading sessions are not implemented in all markets where the CCP operates and do not cover the entire trading day of the CCP (including settlement sessions).
Criterion 5 To meet the minimum liquidity	Partial compliance	To form a reserve of liquid assets, the Exchange maintains a sufficient amount of funds on accounts, including correspondent accounts with the National Bank of the Republic

requirement, an FMI's qualifying liquid resources in each currency include cash at the issuing central bank and creditworthy commercial banks, allocated credit lines, FX swap agreements and committed repurchase transactions, and highly liquid collateral at depositories and also investments with the impossibility of immediate use and conversion into cash with predetermined and highly reliable financing mechanisms, even in extreme but probable market conditions. If an FMI has a regular access to a credit in an issuing central bank, the FMI is entitled to consider such access as a minimum requirement, up to the extent of the collateral held suitable for collateral with a relevant central bank (or other relevant types of transactions with it). All such listed resources should be available when needed.		of Kazakhstan and reliable correspondent banks to ensure timely settlement of clearing results. The CCP has agreements on the provision of financial instruments for the purpose of covering counterparty risk to manage the default of a clearing participant. The volume and availability of liquid resources of the Exchange fully allows for the timely fulfillment of obligations following the results of clearing. The asset base of the CCP is formed from the money received for the purposes of settlement transactions, margin and other collateral for transactions with the CCP. The CCP maintains at a sufficient level the level of money in the correspondent accounts of the CCP for clearing activities, including in the central bank. However, CPSS-IOSCO defines a list of liquid resources, for the purposes of CCP liquidity risk management, such as: money in accounts with central banks and/or creditworthy commercial banks, confirmed and reliable lines of credit, confirmed and reliable currency swaps and dedicated repurchase agreements, and highly liquid collateral, and investments that are readily available and convertible into cash with predetermined and highly secure funding mechanisms even under extreme but acceptable market conditions. The CCP does not have dedicated lines of credit, dedicated and reliable swap lines and REPO transactions, except for the currency market where the Agreement with the National Bank of the Republic of Kazakhstan on the mechanism for providing liquidity to the central counterparty is in force. The CCP also has agreements with clearing participants to provide the services of a security or currency provider using the best effort method. These agreements are not applicable for the purposes of this criterion as they run the risk of the providers not having the necessary financial instruments during periods of extreme market conditions. As practice shows, during high volatility, provider lines with clearing participants are not a reliable source of liquidity to support the CCP's transactions. At the same time, the Treasury carries out all the necessary work to ensure compliance with this criterion. Thus, at the moment, together with the National Bank of the Republic of Kazakhstan, a mechanism for providing liquidity to the Central Committee is being worked out, in particular: 1. REPO operations with the CCP in a special LQR mode secured by securities included in the KASE T+ list Collateral with the Central Bank (NBRK);

		2. Overnight loan secured by USD on the correspondent account of the Exchange with the National Bank of Kazakhstan. The conditions for providing liquidity are currently in the process of approval by the Technical Committee of the NBRK.
Criterion 6 An FMI may supplement its qualifying liquid resources with other types of liquid resources. In this case, the said liquid resources must be in the form of assets that are easily saleable or acceptable as a collateral for credit lines, swaps or repos due to default, even if this cannot be reliably established or guaranteed in extreme market conditions. Even if an FMI does not have a regular access to a credit with an issuing central bank, it should consider what collateral is typically accepted by the relevant central bank since these assets may more likely to turn out to be liquid in stressful circumstances. An FMI should not treat the opportunity of obtaining an emergency credit from the central bank as part of its liquidity plan.	Compliance	The Exchange may use its own securities portfolio as collateral to raise qualifying liquid resources. The Exchange forms an investment portfolio of highly liquid securities that are in demand and are eligible as collateral for lines of credit, swaps or repos due to default. Even if this cannot be reliably stipulated or guaranteed in extreme market conditions, the Exchange expects that the possibility of their sale or collateralization will remain (not only the NBRK, if necessary).
Criterion 7 An FMI should provide a high degree of assurance due to conduct of due diligence, that each provider of the minimum required qualification liquid resources, whether a participant in the FMI or a third party, has sufficient information to understand and manage	Compliance	The assessment of the financial position of liquidity providers is carried out in accordance with the Exchange's procedures for determining internal ratings. A daily reassessment of claims and obligations to liquidity providers is carried out. In addition, in the domestic market, the National Bank of Kazakhstan itself can act as the most reliable liquidity provider for the Exchange. Commercial banks (provider banks) also act as liquidity providers. All foreign liquidity providers are either systemically important entities or entities with international investment grade ratings. Counterparty assessment procedures are regularly tested and reviewed as market

the associated liquidity risks and that he is able to comply with requirements provided for by its obligations. In cases where it is relevant to assess the reliability of work of a liquidity provider with respect to a particular currency, access of the liquidity provider to credit from the issuing central bank may be taken into account. An FMI should regularly test its procedures of accessibility of its liquidity resources available to a liquidity provider.		conditions and the composition of counterparties change.
Criterion 8 An FMI that has access to central bank accounts, its payment services, or services connected with securities should use those services if it is advisable to enhance its ability to manage its liquidity risk.	Compliance	The Exchange has access to the services of the National Bank of the Republic of Kazakhstan when making payments and settlements in tenge, as well as the possibility of obtaining cash liquidity from the National Bank of the Republic of Kazakhstan for the purpose of settling defaults of clearing participants and for the purpose of covering counterparty risk. The Exchange maintains them in constant readiness and uses them as needed. The choice of settlement banks is based on their credit quality and operational capabilities when making payments and settlements in the relevant foreign currencies. The infrastructure of commercial banks is used in cases where the infrastructure of the National Bank of the Republic of Kazakhstan and the CD cannot be used. The Exchange uses the services of foreign settlement banks, as well as Kazakh settlement organizations (CD and commercial banks).
Criterion 9 An FMI should determine a scope and regularly test the sufficiency of its liquid resources through regular and rigorous stress tests. An FMI should have in place clear procedures of reporting about results of its stress tests to relevant FMI's decision makers in order	Compliance	The Exchange conducts stress testing of liquid resources using the scenarios described in the answers to the relevant questions. Management reporting on stress testing of liquid funds as part of a comprehensive report on the results of stress testing of the Exchange's financial stability as of the reporting dates is submitted for consideration by the Exchange's Management Board. Management reporting data on stress testing is also provided to the Board of Directors. Liquidity stress testing is carried out within the established stress testing procedure.

to assess the adequacy of and adjust its liquidity risk management framework. When conducting stress testing, an FMI should consider a wide range of stress scenarios. Scenarios should provide for historical price volatility, changes in other market factors such as income determinants and yield curves, multiple cases of default for different periods of time, concurrent pressures on financial and asset markets, and a number of forward-looking stress conditions at various extreme but probable market situations. Scenarios should also take into account the structure and operation of an FMI, include all entities that may expose an FMI to significant liquidity risk (such as settlement banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and in relevant cases cover a period of several days. In all cases, an FMI should substantiate with documents the rationale and have relevant management mechanisms that regulate volume and type of aggregate liquid resources it maintains.		Scenarios are formed using changes in risk factors associated with basic market indicators, such as: ✓ change in the exchange rate of the tenge against a basket of currencies US dollar, Russian ruble, yuan and euro; ✓ interest rates; ✓ price volatility; ✓ other information. The use of a DVP settlement model and the ability to net defaulter positions are built into the loss determination model as part of an established stress testing procedure. The historical and hypothetical scenarios used, as well as the methodology, are reviewed periodically. In addition, it is possible to revise the used scenarios at the initiative of the Exchange department responsible for risk management, as the need arises (for example, due to changes in market conditions). The Exchange has procedures that regulate the procedure for determining the need for liquidity.
Criterion 10 An FMI should have clear rules and procedures to enable an FMI to settle payment obligations on a day when the transaction was made or during an operating day or during several days in	Compliance	The Exchange's procedures for the purpose of fulfilling obligations under a trade (settlements) provide for the Exchange's requirement for clearing participants to credit money in the amount of generated net obligations to the Exchange's correspondent accounts by the time clearing begins and use this money to fulfill net claims of clearing participants. The procedures for managing the CCP's liquidity in the event of a shortage of money for settlements are provided for by the Exchange's internal

case of an individual default by its participants. These rules and procedures should regulate unanticipated and a potential uncovered liquidity deficit and should be intended to prevent closing the positions, canceling or delaying the settlement of payment obligations on the day of the transaction. In addition, the rules and procedures also should define how an FMI replenishes any liquidity resources it engaged during a stress event in order to continue to operate securely and efficiently.		regulations, which contain the procedure and methods for attracting liquidity. During the clearing session in the derivatives market, stock and currency markets, in case of full or partial default by the clearing participant of its obligations, the procedures for postponing the fulfillment of obligations or their complete termination/liquidation are carried out within the framework of the internal regulatory documents of the CCP. The transfer of fulfillment of the obligations of clearing participants in the event of a default is carried out at the expense of the CCP's assets placed on accounts for clearing activities. The formed collateral of clearing participants, as well as contributions to the guarantee fund and other collateral, is used in the procedures for settling the default of a clearing participant on the "waterfall" principle in accordance with the clearing procedures/procedure of the CCP and other internal regulatory documents.
8. Settlement completion *An FMI should ensure full and reliable settlement completion at least by the end of the valuation day. Where necessary or expedient, an FMI should provide final settlement within the same day or in real time.* **Compliance**		
Criterion 1 An FMI's rules and procedures should specify exactly when settlements become final.	Compliance	Settlement of a payment, transfer order or other obligation is considered final at the moment the funds are received on the correspondent account of the settlement organization. Execution of final net claims / net liabilities on money is carried out on collateral accounts (own, aggregated client, aggregated custodial), opened in the internal accounting system of the Exchange for clearing participants, on securities by sections of KASE, no later than the end time of the settlement and clearing session, established by the Regulations. This procedure is defined in the Clearing Rules disclosed on the Exchange's Internet resource. The procedure for fulfilling obligations based on the results of clearing is contained in the Exchange's Clearing Rules, which establish that obligations subject to settlement are included in the clearing pool and terminated based on the results of the clearing session.

		Agreements on provision of clearing services between clearing participants and the Exchange are concluded in Kazakhstan's jurisdiction, the applicable law is the legislation of the Republic of Kazakhstan. The Exchange does not clear in other jurisdictions. In accordance with the legislation of the Republic of Kazakhstan, suspension of operations on trading and clearing accounts is not allowed in relation to property that is necessary for the fulfillment (termination) of obligations admitted to clearing. The rules established by this article shall apply to Kazakh and foreign organizations. However, the laws of a foreign state apply to contractual relations on the basis of which the Exchange accounts are opened in foreign banks (settlement organizations) that are outside the jurisdiction of the Republic of Kazakhstan, unless the agreement between the Exchange and a foreign bank implies otherwise. The CD and the Clearing Chamber of the Exchange send reports/notifications on settlements to the Clearing Chamber of the Exchange. Liabilities on the Exchange are terminated after the completion of obligations in the CD and the Clearing Chamber of the Exchange.
Criterion 2 An FMI should make final settlement no later than the end of the value date, preferably intraday or in real time, to mitigate the settlement risk. The Large Payment System (LPS) or Securities Settlement System (SSS) should consider using the gross settlement system in real-time or multi-step processing within the settlement day.	Compliance	The time regulations of the Exchange and the CD are designed in such a way that settlements are completed on the value date. Clearing sessions are held every working day. The Exchange makes every effort to conduct timely settlements for bona fide clearing participants. The clearing participants are informed by providing reports on the results of the clearing session. According to the rules of the Exchange: 1) on stock market transactions, settlements on a gross basis are carried out in real time, settlements on a net basis are carried out 2 times a day, following the results of each clearing session; 2) for transactions in the foreign exchange market, settlements are carried out following the results of each clearing session; 3) in the derivatives market, settlements are carried out during the clearing session. The rules for conducting clearing and settlements in all markets (currency, stock, derivatives) are clearly spelled out in the internal documents of the exchange: the

		Rules for conducting clearing sessions for transactions with a central counterparty and the Rules for making payments for trades.
Criterion 3 An FMI should specify the exact point after which unsettled payments, transfer instructions, or other obligations cannot be revoked by a participant.	Compliance	Revocation of payment orders is not performed (except for the withdrawal of funds in the foreign exchange market). In the foreign exchange market, a payment order for the withdrawal of funds cannot be withdrawn after it has already been canceled in accordance with the regulations. A Payment Order for Withdrawal of Funds is a Refund Request determined by the Settlement Rules, taking into account the peculiarities of exchange markets. A payment order for the withdrawal of funds can be sent within a day until the time specified in the Settlement Rules. The terms for submitting and executing instructions of clearing participants are determined by the time regulations disclosed on the Exchange's Internet resource.
9. Cash settlements *An FMI should settle money in central bank funds, in cases when it is appropriate and possible. If central bank funds are not used, an FMI should minimize and strictly control the credit and liquidity risks arising from the use of commercial bank funds.* **Compliance**		
Criterion 1 An FMI should conduct cash settlements in central bank’s cash in cases when it is expedient and possible in order to avoid credit risks and liquidity risks.	Compliance	On the basis of a license to conduct banking operations in national and foreign currencies, the Exchange can conduct the following banking operations: 1) transfer operations: execution of instructions of individuals and legal entities for payments and transfers; 2) exchange operations with foreign currency, except for the organization of exchange operations with foreign currency in cash; 3) opening and maintaining correspondent accounts of banks and organizations carrying out certain types of banking operations; 4) opening and maintaining bank accounts of legal entities When conducting transfer transactions, the Exchange may use: ✓ own correspondent accounts opened with the National Bank of the Republic of Kazakhstan, foreign banks, second-tier banks of the Republic of Kazakhstan, CD; ✓ correspondent accounts of the Exchange's clients opened with the National Bank of

		the Republic of Kazakhstan, foreign banks or other foreign organizations entitled, in accordance with applicable law, to open and maintain correspondent accounts of clients, second-tier banks of the Republic of Kazakhstan, the CD; ✓ bank current accounts of the Exchange's clients opened with the National Bank of the Republic of Kazakhstan, foreign banks or other foreign organizations entitled, in accordance with applicable law, to open and maintain bank accounts of clients, second-tier banks of the Republic of Kazakhstan, CD; ✓ banking current and (or) correspondent accounts of clients opened on the Exchange. https://kase.kz/files/normative_base/banking_operation_rules.pdf The Exchange's asset investment policy provides for the establishment of limits on the storage of money on accounts with the National Bank of the Republic of Kazakhstan, the CD, foreign correspondent banks, second-tier banks of the Republic of Kazakhstan. In order to monitor the current state of the Exchange's correspondent banks to determine the quality of their reputation and solvency and to analyze their financial position, the Exchange's settlement division once a year reviews the Exchange's correspondent banks, which includes the following performance indicators of correspondent banks for the completed financial year: 1) general information about the correspondent bank, its shareholders, management, market positions; 2) long-term credit ratings (if any); 3) the level of quality and efficiency of service (the quality of payment processing, the availability of real-time feedback, the speed and efficiency of processing requests, written and telephone conversations and consultations); 4) assessment of the financial condition; 5) negative information (published by the media or received from other sources); 6) other essential information about correspondent banks. Based on the results of the analysis of potential and current correspondents, the Management Board makes a decision on opening/closing a correspondent account of the Exchange with a correspondent bank.

		Liquidity management procedures Every day, no later than 10:30 o'clock (Almaty time), the settlement subdivision sends statements on the balance of money on the correspondent accounts of the Exchange. During the operating day, the responsible division checks the sufficiency of money on the correspondent accounts of the Exchange. In the event of a forecast of a shortage of money on the Exchange's correspondent accounts as a result of transferring the position of an unscrupulous clearing participant in the stock market, the Exchange concludes transactions to raised liquidity. In the event of a forecast of a shortage of money in the foreign exchange market in a currency other than the tenge and US dollars, transactions are concluded with providers on the terms of Article 41 of the Rules for execution of clearing activities for transactions with financial instruments.
Criterion 2 If central bank funds are not used, an FMI should settle money with the use of risk-free assets or settlement assets with a low liquidity risk.	Compliance	The main currencies used for settlements are freely convertible and liquid. For settlements in other currencies, as a rule, settlement banks in the country of origin of the currency are selected. The Exchange, in accordance with internal documents, assesses credit risk in relation to settlement organizations by determining internal ratings, as well as by setting requirements for the credit rating level. To limit the level of accepted risk, the Exchange sets credit risk and liquidity limits. If necessary, the Exchange's own funds may also be used to meet additional liquidity requirements for settlement and clearing. All these measures ensure that the risks arising from the placement of funds in commercial banks are properly limited. When choosing a settlement bank, the Exchange is guided by both the criteria of operational reliability and the ability to provide settlements in the required time, and the results of an analysis of the credit quality of the counterparty. One of the mandatory credit quality criteria for a foreign settlement bank, for example, is the presence of an international rating at the investment level. When choosing foreign settlement banks, preference is given to national (central) banks or the largest commercial banks, as well as banks recommended by national (central) banks. The list of settlement banks is disclosed on the Exchange's Internet resource (www.kase.kz).

Criterion 3 If an FMI settles in commercial bank's cash, it should monitor, manage and limit its credit risk and liquidity risk created from its dealings with commercial settlement banks. In particular, an FMI should establish and monitor compliance with strict criteria for its settlement banks, including regulation and supervision of their activities, creditworthiness, capitalization, access to liquidity, and operational soundness. An FMI should also monitor and manage the concentration of credit and liquidity risks posed by commercial settlement banks.	Compliance	Evaluation of counterparties is carried out at least once every six months. The assessment is carried out in accordance with the Procedure for Review and Monitoring of Correspondent Banks of the Exchange and includes the following performance indicators of correspondent banks for the past six months (or the completed financial year): ✓ general information about the correspondent bank, its shareholders, management, market positions; ✓ long-term credit ratings; ✓ the level of quality and efficiency of service (the quality of payment processing, the availability of real-time feedback, the speed and efficiency of processing requests, written and telephone conversations and consultations); ✓ assessment of the financial condition (assessment of equity, analysis of the quality of assets and liabilities, assessment of liquidity); ✓ negative information (published by the media or obtained from other sources). Operational control of the liquid position of the Exchange is carried out by the Exchange on the basis of: ✓ data on the liquid position of the Exchange at the beginning of the trading day, i.e. balances on nostro accounts by major types of currencies as of the morning of the current day; ✓ data on the expected volumes of balances of crediting/withdrawal of funds of clients - clearing participants; ✓ data on payments for the purchase/sale of securities; ✓ data on expected own conversion operations; ✓ data on individual payments related to the payment of administrative and business operations; ✓ data on other transactions affecting the liquid position. The Risk Management Unit analyzes correspondent banks to identify credit risks in accordance with the Methodology for determining and calculating the probability of default on financial instruments. Operational analysis and liquidity control is carried out for individual currencies in which

		transactions are conducted on the Exchange. In the event of a shortage of operating liquidity in normal market conditions, the following measures are taken: ✓ attraction of the required amount of funds in the market, incl. swap transactions; ✓ carrying out transactions of purchase/sale of foreign currency in the required volumes; ✓ reduction of securities portfolios, repo operations; ✓ prioritization of payments. The Exchange's prospective liquidity is regularly analyzed and assessed, which includes: ✓ analysis of prospective liquidity over all time horizons using GAP analysis, including forecasting cash flows in accordance with the actual terms of the sale of assets, repayment and collection of liabilities; ✓ determination of the Exchange's rational need for liquidity, including determination of liquidity excess/shortage; ✓ analysis of prospective liquidity using liquidity surplus/deficit ratios; ✓ analysis of the structure and concentration of assets and liabilities of the Exchange, the status of claims (especially those with overdue dates) and liabilities (especially if there is a threat of early presentation). Assessment and monitoring of the risk of prospective liquidity is carried out in the context of all major currencies in which the Exchange conducts operations. For all settlement banks, the financial position is regularly assessed to identify signs of possible insolvency. The most reliable one act as settlement banks. In addition, the Exchange constantly monitors concentration risk. If a certain level of concentration is exceeded, excess liquidity not involved in settlements is transferred to other banks. At the same time, the Exchange seeks to diversify its correspondent network through banks that could potentially perform the functions of settlements.
Criterion 4 If an FMI executes money settlements	Compliance	The Exchange minimizes credit and liquidity risks as described in Principle 9.

according to its own books, it should minimize and strictly control its credit and liquidity risks.		
Criterion 5 Legal agreements of an FMI's with any settlement banks should clearly state. when transfers are made on the books of individual settlement banks, that transfers become final, and that funds received should be transferred as soon as possible, at least by the end of the day, and ideally, during the trading day, which will allow the FMI and its participants to manage credit and liquidity risks.	Compliance	Correspondent account agreements with settlement banks (or account maintenance conditions – in case of non-resident banks) establish a time limit for debiting / crediting funds from / to a correspondent account with the “current business day” value date, that transfers become final when they are executed and that the bank may dispose of the funds on his correspondent account from the moment they are credited to the specified account. Settlements on correspondent accounts are carried out throughout the entire business day of the respective correspondent bank.
10. Actual delivery *An FMI should clearly define its obligations with respect to delivery of physical instruments or commodities and identify, monitor, and manage the risks associated with actual delivery.* **Compliance**		
Criterion 1 An FMI's rules should clearly define its obligations with respect to delivery of tangible instruments or goods.	Compliance	The Exchange accepts securities and foreign currency as deliverable assets. Liabilities are determined by the Exchange based on the results of clearing of concluded deals. The procedure for clearing in the respective market is determined by the Clearing Rules. The Exchange provides clearing participants with reports on certain resulting net liabilities/net claims. The clearing rules and other documents reflecting the actual delivery procedures on the relevant exchange market are disclosed on the Exchange's Internet resource.
Criterion 2 An FMI should identify, monitor, and manage the risks and expenses	Compliance	The Exchange keeps assets (securities, currency) in the National Bank of the Republic of Kazakhstan, CD, as well as in correspondent banks. Monitoring of the financial condition of provider banks is carried out in accordance with

associated with holding and actually delivering tangible instruments or goods.		the Instructions for selection and monitoring of critically important suppliers. In accordance with the above instruction, the responsible division of the Exchange at least once a year submits for consideration by the Market Risk Committee of the Exchange a report on the results of the review and monitoring of a critical supplier, which includes information about the supplier, an assessment of the quality of the service provided by the supplier, an overview of the market for similar services and possible alternative suppliers, a conclusion on the possibility, necessity or expediency of continuing to receive a service from this supplier, in the presence of obvious risks associated with the supplier, including the risk of disrupting the business continuity of the Exchange, credit, legal, reputational and other risks – an action plan to reduce the Exchange's dependence on this provider or refusal to use the services of this provider. In order to reduce the risks and costs associated with the storage and actual delivery of instruments, the Exchange diversifies funds on correspondent accounts by moving part of the funds from accounts with settlement banks to accounts with other banks (including a correspondent account with the National Bank of the Republic of Kazakhstan). At the same time, in order to control the level of credit risk arising in relation to such counterparties, limits are set on the placement of funds on correspondent accounts. The Exchange calculates credit risk on correspondent banks, since they hold clearing participants' collateral, as well as the Exchange's own assets. Also, the Exchange has set limits on the placement of money in financial instruments based on the level of liquidity and credit risk. The established limits are reviewed periodically, including as the financial performance of counterparties changes. In accordance with the Methodology for calculating provisions (reserves), the Exchange determines the quality categories of counterparties and forms the appropriate reserves for possible losses.

11. Central securities depositories

The Central Securities Depository must have appropriate rules and procedures in place facilitating to ensure the integrity of the issue of securities, as well as to minimize and manage the risks associated with the storage and transfer of securities. The CD must account securities in immobilized or uncertificated form for the purpose of transfer by an uncertificated entry.

The Exchange does not perform the functions of the Central Securities Depository.

Principle not applicable		
12. Exchange for value settlement systems *If an FMI settles transactions that involve the settlement of two related obligations (for example, transactions with securities or foreign exchange), it should rule the risk of loss of the principal amount by final settlement of one obligation after a final settlement under another obligation.* **Compliance**		
Criterion 1 FMI, which is an asset exchange settlement system, must rule out the risk of loss of the principal amount by ensuring final settlement of one obligation going on then and only then when also going on final settlement of the obligation inter-related to it, no matter whether the FMI settles, whether the FMI settles on a gross or net basis, and when settlement is complete.	Compliance	The risk of the principal in relation to the clearing participant may arise from operations with securities and foreign currency. Settlement on terms of "delivery against payment" or on the terms of advance delivery on the part of the clearing participant eliminates the possibility of risk. The procedures for using this mechanism are described in the Clearing Rules: ✓ the Exchange determines the net obligations of the clearing participant in each relevant security, currency for each date; ✓ on the settlement date (determined in accordance with the Clearing Rules for each financial instrument for which the Exchange carries out clearing activities), the Exchange checks that the clearing participant fulfills its settlement or delivery obligations. Delivery and settlements are carried out using the same accounts on which the collateral is recorded, therefore the Exchange always has access to information about the balances on these accounts; ✓ if the total amount of obligations was fulfilled by the clearing participant, the Exchange, for its part, fulfills the corresponding obligations in respect of the clearing participant; ✓ if it is impossible to carry out the transfer of obligations, the position is closed and the participant's obligation is terminated. These procedures ensure that final settlement of one obligation will only occur, if final settlement of the related obligation is made. Related liabilities are settled on a net basis. Settlements for transactions with foreign currency and securities are carried out on the principles of "delivery against payment". Thus, the completion of currency/securities and cash settlements is simultaneous. Financial instruments used for clearing and accounted for on trading and clearing accounts are protected from claims of third parties until the completion of clearing

		settlements. The Exchange independently monitors compliance with the "delivery versus payment" principle.
13. Rules and Procedures Relating to Participant Default *An FMI should have effective and well-defined rules and procedures to manage in the event of a participant's default. These rules and procedures should be designed to ensure that the FMI can take timely action to mitigate losses and liquidity pressures and continue to meet its obligations.* **Compliance**		
Criterion 1 An FMI should have rules and procedures for management in case of default of the participants that allow the FMI to continue to meet its obligations in the event of a default by one participant and regulate replenishment of resources after the default.	Compliance	The Exchange's rules and procedures establish a list of grounds for the Exchange to declare both an operational and technical default of a clearing participant and provide for actions to be taken in the event the Exchange declares a default of a clearing participation. The cases of operational default are the failure of the clearing participant to fulfill obligations under deals in full and within the established period, as well as failure to fulfill the margin requirement in full and within the established period. Cases of financial default are: ✓ cases of revocation (cancellation) of the NBRK license for banking operations from the clearing participant – credit institution; ✓ cases of appointment of a temporary administration or adoption of a court decision on the introduction of one of the bankruptcy procedures in relation to the clearing participant; ✓ cases of revocation (cancellation) of a special permit (license or other basis) issued by the competent authority of the state of establishment of the non-resident bank, on the basis of which the non-resident bank has the right to carry out banking operations provided for by the legislation of the non-resident bank. Actions taken in the event that the Exchange declares a default of a clearing participant include: ✓ termination of all transactions of the clearing participant whose default has been declared by the Exchange; ✓ conclusion by the Exchange of deals that hedge risks arising from the termination of all deals of the clearing participant whose default has been declared by the Exchange. Regulation of situations of default of a clearing participant:

		Operational default: ✓ conclusion of "closing" deals or termination of obligations in case of impossibility of transfer – cash settlement; ✓ sale of collateral; ✓ use of contributions of an unconscientious clearing participant to guarantee funds. In case of operational default, the actions are automatic. **Financial default:** ✓ termination of clearing services, ✓ termination of obligations under deals on the day of termination of clearing services, ✓ liquidation netting. In the event of a financial default, the Exchange's employees act in accordance with the Clearing Rules and internal procedures. Termination of obligations and settlement of the net obligation/net claim in the course of liquidation netting is carried out in accordance with the Clearing Rules and internal procedures on the day following the date of revocation of the license/decision to initiate bankruptcy proceedings. In the event of an operational default – the use of the Exchange's own funds to fulfill obligations to conscientious clearing participants, the conclusion of REPO transactions with "providers". In the event of a financial default, the measures provided for by the Exchange's Recovery Plan may also be triggered. The Exchange keeps all available tools for obtaining additional liquidity in constant readiness (detailed in Principle 7). The Exchange may also send bona fide clearing participants a demand for the replenishment of guarantee funds (detailed in Principle 4). The procedures of the clearing rules also provide that in case of using contributions to guarantee funds of conscientious clearing participants, the Exchange sends them notifications about the use of funds and the need to add funds.
Criterion 2	Compliance	The Exchange has developed internal regulations for interaction between the

An FMI should be well prepared to apply the rules and procedures in case of a default, including the appropriate discretionary procedures provided for in its rules.		Exchange's divisions in the event of defaults. The Exchange regularly informs the National Bank of the Republic of Kazakhstan about the suspension / termination of access to clearing services, about technical defaults and liquidation netting, about the use of the Exchange's financial resources to cover losses in the event of a clearing participant's default.
Criterion 3 An FMI should publicly disclose key aspects of its rules and procedures of management in case of a default when it defaults.	Compliance	The Clearing Rules, which set out the procedure for conducting default management procedures, are available on the Exchange's Internet resource. a) Procedure for settlement of non-fulfillment of obligations by clearing participants: 1) presentation of a margin requirement is carried out in case of insufficient collateral; 2) procedures for forced closing of positions and foreclosure of collateral are carried out with an unfulfilled margin call or an unfulfilled obligation for several days in a row; 3) if the individual clearing collateral is insufficient to repay the debt or fulfill the defaulter's margin call, the defaulter's contribution to the guarantee fund is used. If its contribution to the guarantee fund is insufficient, the Exchange's reserve fund (Skin-in-the-game) is used, as well as contributions to the guarantee fund of conscientious clearing participants; 4) upon introduction of bankruptcy proceedings against a clearing participant or revocation of a banking license, a liquidation netting procedure is carried out, positions may also be transferred; 5) a mechanism is provided for the distribution of losses through the procedure for discounting obligations, which is used in relation to obligations to pay the variation margin. b) Default management procedures are carried out by the responsible departments of the Exchange. c) In case of default of a clearing participant, the Exchange makes balancing trades with the conscientious clearing participant similar to deals made by the Exchange with the defaulter. e) There are no direct relationships between the clients of the clearing participant.
Criterion 4 An FMI should involve its participants	Compliance	Testing of the procedures and operational capabilities of the Exchange is regularly carried out as part of testing changes in the trading and clearing systems, including

and other stakeholders in testing and reviewing default procedures, including any liquidation procedures. Such testing and review should be carried out at least once a year, or after significant changes to rules and procedures, to ensure that they are expedient and effective.		jointly with clearing participants.
14. Segregation and transferability *The CCP should have rules and procedures in place to ensure the segregation and transferability of the positions of a participant's customers and the collateral provided by the CCP for those positions.* **Compliance**		
Criterion 1 The CCP should at least have segregation and transfer mechanisms that effectively protect, in accordance with applicable law, the positions of a participant's clients and collateral in the event of a single participant's default or insolvency. If the CCP additionally offers protection for such customer positions and collateral against a simultaneous default by one participant and its affiliates, the CCP should take steps to ensure that such protection is effective.	Compliance	The Clearing Rules establish requirements for clearing participants in the stock market and the derivatives market on the mandatory separate accounting of cash, as well as obligations and collateral of clearing participants and their clients. The Exchange also ensures separate accounting of the client's property – a clearing participant, which cannot be used to secure and (or) fulfill the obligations of this clearing participant subject to execution at the expense of its other clients.
Criterion 2 The CCP should use an account structure that allows it to easily identify the positions of a participant's customers and segregate the corresponding collateral. The CCP should maintain client positions and	Compliance	The Clearing Rules establish a mandatory requirement for separate accounting of own funds of clearing participants and clients' funds. For the purposes of segregated accounting, the Exchange uses clearing registers to account for positions and collateral of clients. The Exchange does not rely on the records of the clearing participant on the maintenance of sub-accounts of individual clients, but carries out independent accounting in respect of the clients of the clearing participant on trading and clearing

record collateral in separate client accounts or omnibus client accounts.		accounts in the trading and clearing system and on the accounting accounts in the accounting system of the Exchange. After the default of a clearing participant is declared, the Exchange has the right to use its own collateral, the client collateral is used only when calculating the net obligation under client codes. The collateral of a particular client is also used in case of liquidation netting of a clearing participant's client (in case of bankruptcy of the client/revocation of its license). The Exchange, among other things, relies on information on the balances of financial instruments on accounts, as well as on the crediting of financial instruments to the Exchange's accounts, received from the CD and Settlement Banks.
Criterion 3 The CCP should develop transfer mechanisms in such a way that they with a high probability ensure transfer of the positions and collateral of the defaulting participant's customers to one or more other participants with a high probability.	Compliance	The segregation mechanisms are set out in the clearing rules. The requirements on rollover of positions and collateral are also contained in the Clearing Rules.
Criterion 4 The CCP shall publicly disclose information about its rules, policies and procedures related to the segregation and a possibility of transfer of a relevant collateral of participants' clients. In particular, the CCP should publicly disclose whether client collateral is protected on an individual or omnibus basis. In addition, the CCP must publicly disclose any legal or operational restrictions that can prevent it from segregating or transferring the positions	Compliance	The segregation mechanisms are set out in the Clearing Rules, which are subject to mandatory disclosure on the Exchange's Internet resource. The Exchange discloses information regarding operational procedures, requirements and costs for segregation in the Clearing Rules. There are no legal restrictions other than those set forth in the Clearing Rules.

and collateral of a participant's clients.		

15. General commercial risk

An FMI should identify, monitor and manage general commercial risk and maintain sufficient equity-funded net liquid assets sufficient to cover potential general business losses to continue to operate and provide services as a going concern if such losses are implemented. In addition, net liquid assets should always be sufficient to ensure the restoration or orderly completion of critical operations and services.

Compliance

Criterion 1 An FMI should have robust governance and control systems in place to identify, monitor, and manage general business risks, including losses from inadequate implementation of the business strategy, negative cash flows, or unexpected and excessive operating expenses.	Compliance	The Exchange identifies general commercial risk by analyzing the income and expenses that arise in the course of carrying out the activities of the organization. In particular, general commercial risk may materialize as a result of the provision of unprofitable services and products. To monitor and reduce overall business risk: ✓ The Exchange adheres to its development strategy, developed with the participation of the Budget and Strategic Planning Committee of the Board of Directors; ✓ when introducing new projects, an analysis of income and expenses is carried out; business planning, control and analysis of the reasons for non-fulfillment of the plan; ✓ in order to identify the potential impact of general commercial risks on the organization, the Exchange makes a capital forecast and conducts a cash flow analysis, which is submitted for consideration by the management of the Exchange.
Criterion 2 An FMI should hold net, liquid equity-funded assets (such as common stock, open reserves, or retained earnings) so that it can continue to operate and provide services as a going concern in case of general business losses. The amount of net liquid assets funded by equity held by an FMI should be determined by its business risk profile and the length of time needed to ensure the restoration or orderly completion of critical operations and services, if any.	Compliance	The Exchange's risks are covered by equity in accordance with the regulatory requirements of the National Bank of the Republic of Kazakhstan, including those reflecting the CPMI-IOSCO Principles for FMIs. The calculation procedure is described in the relevant regulatory acts of the National Bank of the Republic of Kazakhstan. The length of time and transaction costs for restoring financial stability or the orderly completion of operations are determined in accordance with the CPMI-IOSCO Principles for FMIs.

Criterion 3 An FMI should have a viable recovery or orderly liquidation plan and sufficient equity-funded net liquid assets implement it. Size of the equity-funded net liquid assets of an FMI should be equal to 6 months of operating expenses. Such assets are in addition to resources held to cover a participant's default or other risks under the Financial Resources Management Principles. At the same time, capital formed in accordance with international risk-based standards may be included, where appropriate and expedient, in order to avoid duplication of capital adequacy requirements.	Compliance	The business continuity management policy was developed by the Exchange and approved by the decision of the Exchange's Board of Directors. The Business Continuity Plan approved by the Exchange's Management Board does not imply transfer of the Exchange's operations to another structure, but is focused mainly on restoring the Exchange's financial stability and restoring the performance of the functions performed by the Exchange. Thus, this plan does not provide for any requirements for clearing participants to move to an alternative structure. The earmarked capital of the Exchange and funds for covering general risks and for the orderly completion of operations are segregated into different accounts. The Exchange strives to comply with international standards implemented by the regulations of the National Bank of the Republic of Kazakhstan. According to regulatory requirements, the Exchange forms the allocated capital of the Exchange (Skin-in-the-game), funds for covering general risks and for the orderly completion of activities – from capital, which, according to regulatory requirements, is obliged to cover all other risks. In addition, the Exchange regularly evaluates additional capital required to cover losses in the event of stress.
Criterion 4 Assets used to cover general business risk should be of high quality and sufficiently liquid to enable an FMI to meet its current and forecasted operating costs under a variety of scenarios, including in conditions of an unfavorable market situation.	Compliance	The Exchange's assets meet the requirements for liquidity and quality contained in the regulatory legal acts of the control and surveillance bodies and are distributed in such a way that they can be sold with a minimum loss in price or without a loss in price in an unfavorable market situation. The Exchange's assets are mainly represented by balances on correspondent accounts, investments in conservative financial instruments that meet the requirements of the National Bank of the Republic of Kazakhstan for a credit rating level. The Exchange periodically monitors the quality and liquidity of assets, the monitoring results are controlled by the ARDFM. The Exchange also stress tests liquidity risk, market risk and credit risk under several different scenarios. Additional information on stress testing the Exchange is provided in Principles 4 and 7.
Criterion 5 An FMI should have a viable plan for raising additional capital in the event that its equity capital approaches or falls	Compliance	Raising additional financial resources is an integral part of the actions to ensure the continuity and restoration of the Exchange's activities. Attraction of additional financial resources is expected in case of approaching the level of adequacy of own funds (capital) to the minimum values established by the National Bank of the Republic of

below a specified minimum. This plan must be approved by the board of directors and updated regularly.		Kazakhstan. The plan involves raising additional capital from shareholders. The issue of raising additional capital requires consideration by the Board of Directors of the Exchange. According to the Exchange's Charter, the final decision to raise additional capital is made by shareholders based on proposals from the Exchange's Board of Directors.
16. Depository and investment risks *An FMI should protect its own assets and those of its participants and minimize the risk of loss and a delayed access to these assets. An FMI should invest in instruments with minimal credit, market, and liquidity risk.* **Compliance**		
Criterion 1 An FMI should hold its assets, including assets of its participants in institutions that are subject to surveillance and regulation and that have sound accounting practices, secure custody procedures, and internal control system that ensure full protection of such assets.	Compliance	The Exchange's assets are kept in the accounts of the National Bank of the Republic of Kazakhstan, Central Securities Market, local and foreign commercial banks. When selecting local and foreign commercial banks, the Exchange is guided by the following selection criteria: ✓ second-tier banks of the Republic of Kazakhstan with a long-term rating of at least "B" on the international scale of the Standard & Poor's agency or a rating of the same level on the international scale of the agencies Fitch or Moody's Investors Service; ✓ international financial institutions with a long-term rating of at least "BBB-" on the international scale of Standard & Poor's or a rating of the same level on the international scale of Fitch or Moody's Investors Service; ✓ foreign correspondent banks with a long-term rating of at least "BBB-" on the international scale of Standard & Poor's or a rating of a similar level on the international scale of agencies Fitch or Moody's Investors Service; ✓ non-resident banks with a long-term rating of at least "BBB-" on the international scale of Standard & Poor's or a rating of the same level on the international scale of agencies Fitch or Moody's Investors Service. Additionally, each of the above depositors is subject to an investment limit to minimize concentration risk.
Criterion 2 When necessary, an FMI should have an immediate access to its assets,	Compliance	All assets, including securities, required for settlements based on the results of clearing, are kept in clearing and trading accounts opened with a settlement organization in the jurisdiction of the Republic of Kazakhstan. The Exchange has the

including assets transferred to it by participants.		right to dispose of all accounts that are used for settlements following the results of clearing. Access to funds in foreign currency on correspondent accounts of the Exchange in non-resident settlement banks is carried out in real time during the business day of the counterparty.
Criterion 3 An FMI should evaluate and understand its exposure to depository banks, taking into account the full range of relationships with each.	Compliance	The Exchange periodically evaluates and monitors credit risks in respect of all counterparties, including depositories. The settlement depository for securities is the CD, a subsidiary of the Exchange's major shareholder, the National Bank of the Republic of Kazakhstan. In order to manage concentration risk for depositories and settlement banks, the Exchange sets limits depending on their financial position. These limits are monitored in real time and reviewed periodically.
Criterion 4 An FMI's investment strategy should comply with its overall risk management strategy and should be fully disclosed by its participants, and investments should be backed consist of claims with highly reliable debtors. These investments of an FMI should provide an opportunity for a quick liquidation with a minimum (or no) price loss.	Compliance	The Exchange has developed an Asset Investment Policy (hereinafter referred to as the Investment Policy), which defines the main principles of the Exchange's investment strategy. The investment policy has been agreed with the Risk Management Unit and approved by the Board of Directors of the Exchange. Investment criteria are reflected in the Investment Policy and make it possible to invest only in government bonds and financial instruments (correspondent accounts, deposits, REPO transactions) that meet the Exchange's credit rating requirements. The Exchange sets limits depending on the financial condition of counterparties and issuers. These limits are monitored in real time and reviewed periodically. Limits are set for all counterparties and investment transactions based on an assessment of the financial position of the counterparty and the characteristics of the impact of transactions on capital adequacy. Structural limits have also been set, in particular with regard to investments in the banking sector. The Exchange invests funds only in highly liquid financial instruments, sets limits on the share of purchased securities, and monitors the projected term of portfolio liquidation. In critical conditions of lack of liquidity, the securities portfolio may be transferred to the National Bank of the Republic of Kazakhstan as part of a REPO transaction.
17. Operational risk *An FMI should identify possible sources of operational risk, both internal and external, and mitigate their impact through the use of proper systems,*		

policies, procedures, and controls. Systems should be designed to provide a high degree of security and operational reliability and to have sufficient scalable *capacity. Business continuity management should aim to restore operations and meet the FMI's obligations in a timely manner, including in the event of a widespread or significant disruption.* **Compliance**		
Criterion 1 An FMI should establish a robust operational risk management system with the use of appropriate systems, principles, procedures, and controls to identify, monitor, and manage operational risks.	Compliance	Operational risk management is carried out on the basis of the Risk Management Policy and the Exchange's Risk Management Rules, which describe the methodology for identifying possible sources of operational risks. The Policy has been developed taking into account the specifics of the Exchange's main activities, including those acting as a clearing organization and the CCP for transactions concluded on the Exchange, as well as the Exchange's treasury operations. The Exchange's operational risk management process includes not only the stage of identifying operational risk events, but also an analysis of the causes, decision-making on risk mitigation measures, followed by control over the completeness and sufficiency of actions. Main sources of operational risks: ✓ suboptimal, insufficient or inefficient processes and procedures; ✓ employee inefficiency (mistakes); ✓ system failures; ✓ adverse external factors (including fraud or emergencies). In accordance with the provisions of the Risk Management Rules, the Exchange conducts continuous monitoring of key operational risk indicators. The monitoring system includes: ✓ development and evaluation of the effectiveness of key risk indicators; ✓ collection of information for calculation of key risk indicators; ✓ calculation and control of current values of key risk indicators; ✓ prompt response to critical values of key risk indicators. Loss events and key risk indicators are reported to management on a regular basis. For the identified operational risks, measures are developed to reduce them and regular monitoring of their implementation is carried out. Operational risk events are collected in accordance with the Risk Management Policy, mitigation plans are developed, and monitoring is carried out on a regular basis.

		To ensure that operational procedures are properly implemented, the Exchange uses: ✓ operating day regulations for clearing transactions concluded on various exchange markets; ✓ control over the execution of operational procedures by available means; ✓ applicable systems, policies, processes are periodically reviewed for compliance with the requirements of control and oversight bodies, international standards and principles. In accordance with the quality management system implemented at the Exchange, the organization has implemented and properly maintains the requirements of ISO 9001:2015 section 6 “Resource Management” in terms of personnel management, ensuring competencies and reducing the risks of a high level of staff turnover. Fraud prevention activities are carried out as part of the information security management system and include: ✓ information leakage prevention system; ✓ ranking information according to the degree of confidentiality and secrecy; ✓ separation of employees' access rights to information and data. To prevent the negative impact of changes and major projects on the smooth operation of the system, the Exchange is working to implement an independent project office system.
Criterion 2 An FMI's board of directors should clearly define the roles and responsibilities for managing operational risk and approve the FMI's operational risk management framework. Controls, operating policies, procedures and methods should be periodically reviewed, reviewed and tested, including after significant changes.	Compliance	At the Exchange, operational risk management is controlled by the Exchange's Board of Directors. The Board of Directors approves the structure of the risk management system, including operational risks, the general principles of operation of the main elements of this system, as well as internal documents on risk management in accordance with the Charter. According to the requirements of the Charter and the Risk Management Policy, the first level of competence is represented by the Board of Directors of the Exchange. The Board of Directors periodically holds meetings dedicated to the issues of risk management of the Exchange, including based on the results of the analysis of prepared data and information received during the reporting period, is authorized to make decisions, including on reviewing and approving the operational risk

		management structure. The Exchange periodically conducts stress testing of software and hardware. Systems are tested during the implementation of changes, as well as testing of actions and recovery of systems in emergency situations. In some cases, clearing participants are involved in testing. In addition, regular load testing is carried out, within the framework of which trading and clearing systems are tested and their switching to a reserve. As part of the annual statutory audit of financial statements, issues related to operational risk are considered, among other things. The annual audit of the quality management system addresses the issues of operational risk management both within the company as a whole and directly in the audited processes. The results of all process audits are presented to the governing bodies.
Criterion 3 An FMI should have well-defined operational soundness objectives and apply principles designed to achieve those objectives.	Compliance	The Exchange uses the following qualitative and quantitative goals as operational reliability goals: ✓ key performance indicators (KPIs); ✓ quality objectives in accordance with the requirements of international standards and principles; ✓ risk appetite benchmarks; ✓ key risk indicators (KRI). The given coefficients largely reflect the level of reliability of the systems. Maintaining the coefficients at the established level requires adequate and uninterrupted operation of all systems, which is determined by the current management system both in the field of IT infrastructure and within the framework of providing and supporting units. The required indicators for evaluating the effectiveness of work and control are set for all employees of the Exchange. The Exchange has developed, approved and implemented the following documents: ✓ Risk management policy; ✓ Business continuity management policy; ✓ Rules for ensuring the continuity and restoration of activities; ✓ Risk management rules; ✓ Business continuity plan;

		✓ Risk register.
Criterion 4 An FMI should ensure sufficient and scalable capacity to process the increased volumes of stress and to ensure the target service level.	Compliance	Tests of information systems are periodically carried out. Based on the information on the critical values of the system throughput revealed in the course of monitoring the operational risk, the management bodies decide on the need to take measures aimed at eliminating the situation by updating the program codes, updating the equipment, and installing backup equipment.
Criterion 5 An FMI should have a policy of comprehensive physical and information security principles that address all potential vulnerabilities and threats.	Compliance	In accordance with Kazakhstan's legislation, a security system has been created that provides for the continuity of existing management processes. The Exchange uses physical and information security policies, processes and procedures to identify and mitigate potential risks and threats. To assess the security of systems, the Exchange aligns security policies and protocols with industry standards; periodic independent assessment of the vulnerability of the network infrastructure and security protocols (test for protection against unauthorized access) is carried out. The Exchange maintains a high degree of interaction and cooperation with law enforcement and intelligence agencies to obtain timely information and assess threats. System security standards are set and controlled at the level of the Exchange's internal documents. Employees of a specially formed division of the Exchange are engaged in the assessment, identification and fight against security threats. Employees are guided by internal procedures to prevent problems that compromise the confidentiality, integrity and continuity of internal information systems. The Exchange has developed several documents related to information security: ✓ Information security policy; ✓ Rules for improving knowledge in the field of information security; ✓ Instructions for managing access to information systems; ✓ information security requirements; ✓ The procedure for working with information; ✓ The procedure for monitoring and resolving information security incidents. When developing information security procedures, the Exchange is guided by the legislation of the Republic of Kazakhstan and international standards in the field of

		information security (ISO 27001).
Criterion 6 An FMI should have a business continuity plan that addresses events that pose a significant risk of disruption to work, including events able to cause widespread or global disruption. The plan should include the use of a backup facility and should be designed so that critical information technology (IT) systems can resume operations within two hours of a disruption. The plan should allow the FMI to complete settlement by the end of the day the breach occurs, even in extreme situations. An FMI should regularly test activities as planned.	Compliance	The Exchange's business continuity management system complies with the provisions of ISO 22301:2012 "Social security. Business continuity management systems". The Business Continuity Management Policy determines the basic principles of functioning and the main components of the Exchange's business continuity management system. The Business Continuity and Recovery Rules outline the business continuity management process in an organization. The Business Continuity Plan defines the process for restoring business processes in the event of widespread or global disruptions. The Business Continuity Program creates recovery plans for critical IT systems with a recovery period. In the event of failures in IT systems, data loss is minimized due to the many forms of data copying and storage. Relevant business continuity plans include back-up systems that are continuously tested and ready to be deployed in different locations. All trading and clearing data are duplicated in various storage systems (hot, warm and cold systems). Monitoring of trading activity, functionality of technical and software tools is carried out in real time. The Business Continuity Plan outlines the process for restoring critical operations and communications in the event of an emergency. The Exchange has a backup office and backup data centers. The requirements for the backup office are formed, including taking into account the requirements of the National Bank of the Republic of Kazakhstan, and contain a description of the technical characteristics of the backup office, the minimum required resources to restore critical processes. The revision of the mechanisms for ensuring continuity and their improvement is provided for by the Business Continuity Management Policy.
Criterion 7 An FMI should identify, monitor, and manage the risks created to it operations bt key participants, other FMIs, and service and utility providers.	Compliance	To date, the following operational risk events with an external factor have been identified: loss or limitation of cooperation with external service providers. At the moment, in accordance with the Instructions for selecting and monitoring critical suppliers of the Exchange, a list of key suppliers has been developed and work has been carried out to

In addition, an FMI should identify, monitor, and manage the risks created by its operations to other FMIs.		monitor them and draw up an action plan to reduce the Exchange's dependence on this supplier or refuse to use the services of this supplier. The Exchange does not outsource critical services. Agreements for the provision of outsourced services include requirements for the quality of services provided. The quality of outsourced services is regularly monitored. Most of the services critical to the Exchange are provided by subsidiaries of the NBRK. All interdependencies are described in the action plan to reduce the Exchange's dependence on this supplier or stop using the services of this supplier. E.g. if significant dependence on third parties for critical processes is identified, this dependence will be analyzed and, if necessary, the possibility of finding an alternative supplier (if any) or reviewing the process in order to find an alternative solution will be considered.
18. Access and Participation Requirements *An FMI should have objective, risk-based, and public participation criteria that ensure fair and open access.* **Compliance**		
Criterion 1 An FMI should provide fair and open access to its services, including to direct and, where appropriate, indirect participants and other FMIs, based on reasonable participation requirements driven by risk.	Compliance	The following requirements are imposed on clearing participants: ✓ requirements for the financial stability of the clearing participant; ✓ the existence of a signed agreement with the Exchange; ✓ making a contribution to the guarantee fund; ✓ availability of a license from the authorized body to carry out the type of activity corresponding to the market; ✓ documents confirming the legal capacity and reliability of the clearing participant; ✓ compliance with technical requirements. The Regulations on Clearing participants, among other things, stipulate the following requirements: 1) a candidate for assigning the status of a clearing participant may be a legal entity that has the current status of a member of the Exchange in any category assigned to it in accordance with the Exchange's internal document "Regulations on Membership"; 2) In order to be assigned the status of a clearing participant in any exchange market,

		a candidate must: ✓ comply with the capital adequacy and liquidity ratios established by the authorized body of the state in accordance with the legislation of which the candidate is established, for three consecutive completed calendar months prior to the date of filing an application for assigning the status of a clearing participant; ✓ comply with the requirements of the Exchange's internal documents for a member of the Exchange of the corresponding category; ✓ have the ability to connect to the eTransfer.kz electronic document exchange system; ✓ have a rating not lower than the level established by these Regulations, if such a requirement is established by Article 9 of the Regulations or item 4 of this Article; ✓ comply with the standards (requirements) for equity capital adequacy and liquidity established by the authorized body of the state of registration of the clearing participant as a legal entity; ✓ comply with the requirement for an appropriate risk management and internal control system, as described in item 2 of Article 12 of the Regulations on Clearing participants. Fair and open access to the services of the Exchange is based on the fact that the criteria and requirements listed above are the same and apply to all clearing participants.
Criterion 2 The participation requirements for an FMI should be justified in terms of the safety and efficiency of the FMI and the markets it serves, tailored and commensurate with the FMI's specific risks, and publicly disclosed. While maintaining acceptable risk control standards, an FMI should strive to establish requirements that provide for the least restrictions on access in the	Compliance	The requirements for the Exchange's clearing participants provide for the management of risks related to the activities of the CCP, ensuring the safety and efficiency of the markets. Many requirements for clearing participants are created taking into account regulatory requirements that directly apply to clearing participants. For example, the requirement that clearing participants must maintain sound financial health and comply with stringent anti-money laundering procedures, reflecting the public policy objective of the regulator's requirements for financial intermediaries to mitigate systemic risk and protect client interests. The Exchange's requirement to comply with these conditions is caused by the need to reduce risks in clearing agreements and, thus, ensure the reliability of the markets served. Additional requirements for clearing participants are caused by the need to make the Exchange a reliable and safe CCP.

existing circumstances.		The same access criteria apply to clearing participants of the same category. Thus, to make client transactions, it is required to provide an appropriate license that allows you to make transactions not on your own behalf (brokerage license or license of a securities manager). For banking and non-banking organizations, requirements are established for indicators of financial stability. There are differences in the requirements for different types of clearing participants (banks, financial companies, non-residents) due to legislation and the specifics of the business being carried out (for example, there are differences in the composition of the requested reporting). Participation criteria, including participation restrictions, are regulated by the Clearing Rules, which are publicly available on the official Internet resource of the Exchange.
Criterion 3 An FMI should continuously monitor compliance with its established participation requirements and have clearly defined and publicly disclosed procedures to ensure that participation is suspended and the orderly expulsion of a participant that violated the participation requirement or terminated it respectively.	Compliance	Continuous control over the compliance of clearing participants with the access criteria is carried out by monitoring financial and non-financial information about the clearing participant, using information and analytical resources, as well as internal specialized software systems. For clearing participants with a deteriorating risk profile, an internal database of observation history is maintained, using the results of financial analysis (identifying the dynamics of financial indicators), inside information (from the Exchange departments) and public information posted in information and analytical resources and the media. In accordance with the Clearing Rules, the Exchange has the right to restrict the service of a clearing participant who has violated or does not comply with the established requirements, up to the complete termination of the clearing service. The grounds for the application of such measures may be, in particular, non-fulfillment of obligations, revocation of a license, violation of mandatory performance standards, loss of activity, and other signs of a steady deterioration in the financial condition. Procedures and order of interaction between departments in the implementation and restriction of access to clearing services are determined by the Exchange's internal documents. Participation criteria, including participation restrictions, are regulated by the Clearing Rules, which are publicly available on the official Internet resource of the Exchange.
19. Tiered participation structure		

<table>
<tr><td colspan="3">An FMI should identify, monitor, and manage material risks created to an FMI from the tiered participation.
Currently, only professional participants in the securities market can act as clearing participants. In accordance with the agreement on clearing services, a multi-level structure of participation is not provided.
Principle not applicable</td></tr>
<tr><td colspan="3">20. FMI relationships
An FMI that establishes a relationship with one or more FMIs should identify, monitor, and manage the risks created by with these links.
Compliance
Criteria 3-9 do not apply to the Exchange.</td></tr>
<tr><td>Criterion 1
Before links are established and at all times after a linking is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the linking. Communication arrangements should be designed so that each FMI can comply with the other principles outlined in this report.</td><td>Compliance</td><td>The Exchange interacts with the CD that settles securities and cash based on the results of clearing and the provision of services by the central depository in accordance with local legislation and agreements.</td></tr>
<tr><td>Criterion 2
In all relevant jurisdictions, a link must have a reliable legal basis that supports its structure and provides adequate protection to the FMIs with the established link.</td><td>Compliance</td><td>The Exchange has established connections in the jurisdiction of the Republic of Kazakhstan. Interaction with the CD is carried out on the basis of agreements (contracts) on interaction.
Agreements (contracts) provide for liability of the parties for improper performance of obligations.</td></tr>
<tr><td>Criterion 3
Linked CDs must assess, monitor and manage credit risk and liquidity risk created to each other. Credits provided to each other by CDs must be completely secured by a high-quality</td><td>Not applicable</td><td>Not applicable to the Exchange.
The Exchange does not perform functions of the Central depository.</td></tr>
</table>

collateral and subject to fixed limits.		
Criterion 4 Preliminary transfers of securities between related CDs should be prohibited, or at least, reverse transfer of preliminary transferred securities should be prohibited until the first transfer becomes final.	Not applicable	Not applicable to the Exchange. The Exchange does not perform functions of the Central depository .
Criterion 5 An investor CD should establish a link with the issuer's CD only if such arrangement provides a high level of protection for the rights of participants in the investor's CD.	Not applicable	Not applicable to the Exchange. The Exchange does not perform functions of the Central depository.
Criterion 6 CD of the investor that uses services of an intermediary to communicate with an issuer's CD must measure, monitor and manage additional risks (including depository, credit, legal and operational risks) created with engagement of the intermediary.	Not applicable	Not applicable to the Exchange. The Exchange does not perform functions of the Central depository.
Criterion 7 Before establishing a relationship with another CCP, the CCP must identify and ensure management of effects due to the default of its linked CCP. If three or more CCPs are involved in a link, then each CCP must identify, assess and manage the risks of the collective link	Not applicable	Not applicable to the Exchange. The Exchange does not perform functions of the Central depository.

structure.		
Criterion 8 Each CCP, in the link structure, must be able to cover, at least on a daily basis, its current exposures and potential future exposures created by the associated CCP and its participants, if any, in full with a high degree of assurance, without diminishing the ability of the CCP to discharge its obligations to its own members at any time.	Not applicable	Not applicable to the Exchange. The Exchange does not perform functions of the Central depository.
Criterion 9 A Trade Register should carefully assess the additional operational risks posed by its connections, to ensure the scalability and reliability of information technology and related resources.	Not applicable	Not applicable to the Exchange. The Exchange does not function as a trading repository.
21. Efficiency and effectiveness *An FMI should ensure that it effectively and efficiently meets the requirements of the participants it serves.* **Compliance**		
Criterion 1 An FMI's activities should be designed to meet the needs of its participants and the markets it serves; in particular with regard to the choice of clearing and settlement scheme, operational structure, range of cleared products, settlement or accounting, and also use of technology and procedures.	Compliance	Discussion of the needs of clearing participants takes place in working groups, including those consisting of market participants, as well as meetings held with clearing participants when new technologies, rules, procedures, products and services are introduced. Assessment of compliance with the needs of clearing participants is carried out within the framework of the existing feedback procedure.

Criterion 2 An FMI should have clear objectives and goals that are quantifiable and achievable, for instance as to minimum service levels, risk management, and business priorities.	Compliance	The strategic goals and objectives of the Exchange are described in Principle 2. All goals are measurable and achievable. Key goals: improvement of risk management, optimization and harmonization of business processes based on an improved IT platform. The Exchange evaluates the achievement of its goals in accordance with key performance indicators (KPI). The Board of Directors of the Exchange determines whether the goals have been achieved. During the implementation of the previous strategy, most of the goals of the Exchange were successfully achieved.
Criterion 3 An FMI should have established mechanisms for regularly reviewing the effectiveness and efficiency.	Compliance	Once every six months, an assessment of the effectiveness and achievement of the goals set for the current year is carried out. In addition, ongoing monitoring of project implementation is carried out. Progress reports are provided to management at least quarterly.
22. Communication procedures and standards *An FMI should use or at least ensure interoperability with, international messaging procedures and standards to support efficient payments, clearing, settlement, and accounting.* **Compliance**		
Criterion 1 An FMI should use, or at least maintain interoperability with, international communication procedures and standards.	Compliance	When making settlements and payments, the Exchange uses the international SWIFT system. When transmitting messages, the Exchange uses SWIFT standards. In terms of IT interaction, the Exchange systems also use SWIFT standards.
23. Disclosure of rules, basic procedures and market data *An FMI should have clear, comprehensive rules and procedures and provide sufficient information to ensure that participants clearly understand the risks, fees, and other significant costs associated with participation in the FMI. All relevant rules and basic procedures must be publicly disclosed.* **Compliance**		
Criterion 1 An FMI should have clearly written, comprehensive rules and procedures	Compliance	Disclosure is carried out in cases provided for by applicable law. The documents regulating the rules and procedures include the Clearing Rules, clearing regulations, forms used in the document flow with clearing participants and

that are fully disclosed to participants. Relevant rules and basic procedures must be publicly disclosed.		approved by the Exchange's management bodies. These documents are freely available on the Exchange's Internet resource. The Exchange's clearing rules are published on the Internet resource. The relevant rules and procedures are fully available to all clearing participants and interested parties, including the public. The Exchange's employees are available to answer the questions of the Clearing participants regarding the Clearing Rules and procedures.
Criterion 2 An FMI should publicly disclose clear descriptions of the structure and operations of the system, as well as the rights and responsibilities of an FMI and participants, so that participants can assess the risks associated with participation in an FMI.	Compliance	Information disclosure of the Exchange is carried out in cases stipulated by the current legislation. Information recipients include the Exchange's clients, including clearing participants, the Exchange shareholders, surveillance and regulatory authorities, potential investors, members of the Board of Directors, professional participants in the securities market, the media and other persons. Disclosure or provision, in particular, is subject to information on the risk management system, documents regulating the operation of this system, as well as other relevant decisions of the Exchange's management bodies. The procedure and actions performed by the Exchange in the course of clearing activities are described in the Clearing Rules posted on the official Internet resource of the Exchange. The Clearing Rules and Trading Rules of the Exchange establish opportunities for making key decisions that affect the operation of the Exchange.
Criterion 3 An FMI should provide all necessary and appropriate documentation and provide training which facilitates understanding by the participants of the FMI's rules and procedures and also the risks they face as a result of participating in an FMI.	Compliance	As part of the launch of the new project, information is sent to clearing participants, information (instructions) are posted on the Exchange's Internet resource, consultations and explanations of innovations in the framework of collective and individual meetings, conference calls, as well as actions that clearing participants need to take for further correct work. For clearing participants to understand the rules and procedures, the Exchange places on its Internet resource on the Internet information materials explaining the rules and procedures of the Exchange. If any actions are required from the clearing participant, the Exchange checks and records the correctness and timeliness of these actions on the part of all clearing participants.

		If a clearing participant is identified whose behavior demonstrates a lack of understanding of the rules and procedures of the Exchange, the Exchange conducts consultations with such a clearing participant, as a result of which the information materials posted on the Internet resource are changed and supplemented.
Criterion 4 An FMI should publicly disclose the cost of separate services it provides and the discount policy. An FMI should provide a detailed description of the provided fee-based service for comparison purposes.	Compliance	The Exchange's tariffs for the services provided are posted on the Exchange's Internet resource.
Criterion 5 An FMI should regularly fill in and publicly disclose responses in accordance with the CC-IOSCO Disclosure Principles for Financial Market Infrastructures. An FMI should also, at least, disclose basic data on the volume and number of transactions.		The Exchange publicly discloses quantitative information, including: ✓ on the current risk parameters used to calculate collateral requirements; ✓ trading results, including trading volumes, various prices (settlement, market, etc.), the volume of open positions for each futures/option; ✓ on the course of trading for the current day. In addition, the Exchange publicly discloses a significant amount of information, including: ✓ description of the services/products provided; ✓ description of the risk management system; ✓ requirements for clearing participants; ✓ basic information about the policy of placement of own funds and collateral of clearing participants. Information is disclosed on the Exchanges Internet resource in Kazakh, Russian and English.
24. Market data disclosure by trading repositories *The trade repository should ensure timely and accurate data provision to relevant public authorities and the public in accordance with their needs.* *The Exchange does not function as a trading repository.* **Principle not applicable**		