



KASE: Launching CCP

ConFEAS Panel Discussion:

Innovative Solutions in Registrar, Settlement and Custodian Business

June 14, 2019
Bucharest, Romania

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Chairman of the Management Board

- **Sovereign Credit Ratings/ Investment Grade:**
 - Standard & Poor’s – BBB-/stable (08.03.19)
 - Fitch – BBB/stable (28.09.18)
 - Moody’s – Baa3/stable (16.10.18)
- According to the World Bank's classification by income level in 2018 Kazakhstan is among **upper-middle-income countries** (gross national income per capita (\$3,896 - \$12,055))
- Member of **OSCE, WTO** and other international organisations
- Territory – **2.7 m sq. km:**
 - worldwide – **9th place**
 - amongst CIS countries – **2nd place**
- Rich of **natural resources**, mainly comprised of mineral resources, oil and gas
- Population – **18.2 m**

Indicator	2013	2014	2015	2016	2017	2018
GDP, USD bn	236.6	221.4	184.4	137.3	162.9	170.5
Change in GDP, %	+6.0	+4.2	+1.2	+1.1	+4.1	+4.1
Inflation, % (YoY)	4.8	7.4	13.6	8.5	7.1	5.3
Unemployment, %	5.2	5.0	5.1	5.0	4.9	4.9
Average USD/KZT rate	152.13	179.19	221.73	342.16	326.00	344.71
Money supply (M3), USD bn	75.26	70.20	50.33	59.40	59.68	54.17
National Fund Assets, USD bn	70.8	73.2	63.4	61.2	58.3	57.7



Source:

1. Committee on Statistics of Ministry of National Economy of RK
2. National Bank of RK
3. KASE
4. KAZAKH INVEST JSC
5. World Bank

5
currency pairs



190+
issuers



140
shares in
trade list



260+
bonds in the
trade list



850+
financial
instruments



52
members



> 119 000
retail accounts



25+
years on the
capital market



Frontier
Market

**MSCI
FTSE**

**S&P DOW JONES
INDICES**
McGraw Hill Financial

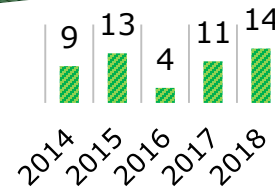
13
vendors



Dynamics of Trading Volumes

USD bn

Securities Market

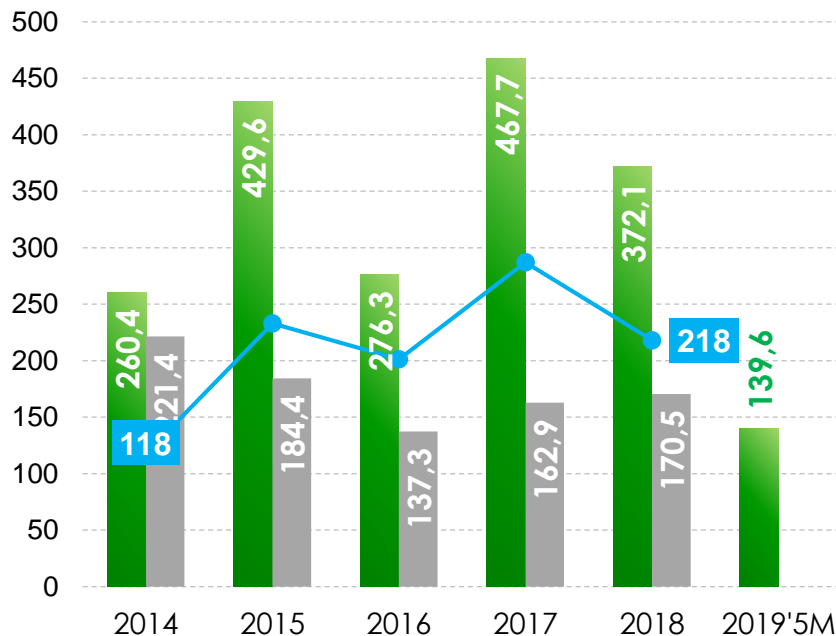


2018	+31%
2017	+175%
2016	-70%
2015	+34%
2014	-17%

In 2018 the majority of markets showed positive dynamics.

KASE Market Volume and Kazakhstan's GDP

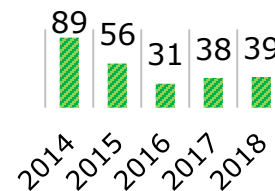
■ KASE, USD bn ■ GDP, USD bn* ● % to GDP



Source: Committee on Statistics of Ministry of National Economy of the Republic of Kazakhstan

USD bn

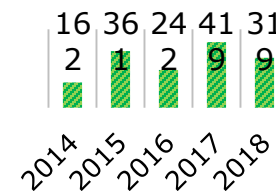
Foreign Exchange Market



2018	+4%
2017	+23%
2016	-45%
2015	-37%
2014	+45%

USD bn

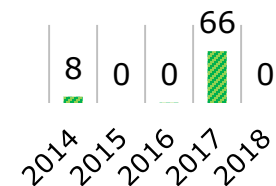
Money Market



2018	-24%
2017	+73%
2016	-33%
2015	+123%
2014	+18%

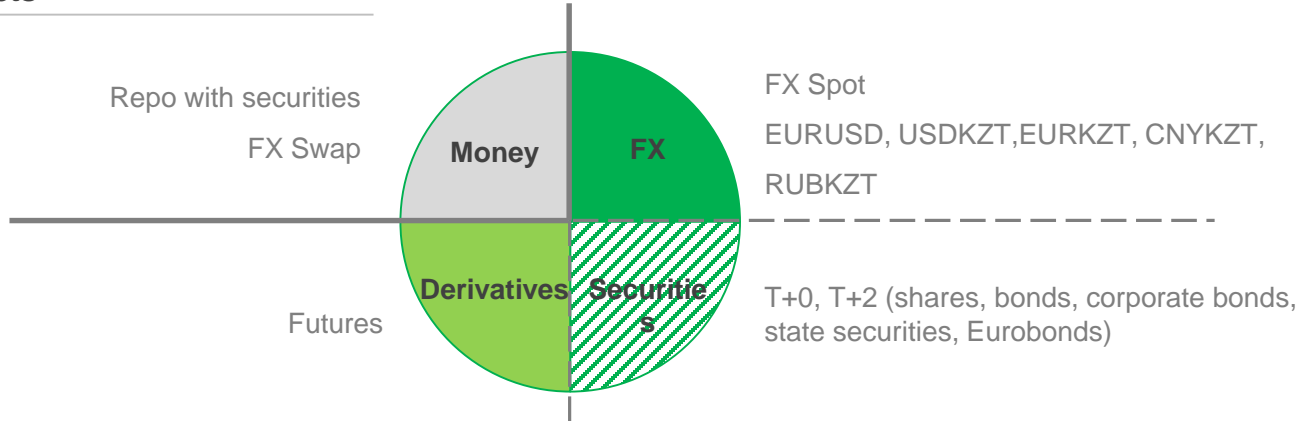
USD mln

Derivatives Market

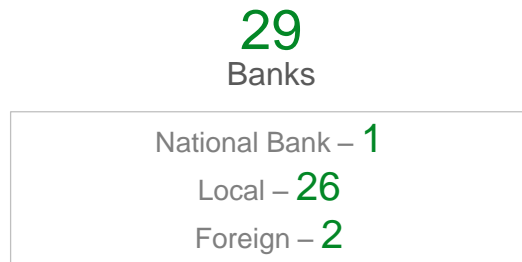


2018	-100%
2017	>+100%
2016	-
2015	-100%
2014	-60%

Markets



Client segmentation



Advantages of CCP :

- reduce the credit risks for participants
- guarantee settlement of transactions
- reduce marginal requirements
- trade outside the mutual limits of participants (a single limit of the CCP)

1

Status - completed

FX Market

Implementation of CCP functions

2

Derivatives Market

Improvement of CCP functions

3

Securities Market

Implementation of CCP functions
(all settlements to be done in
T+2)

4

Money Market

Implementation of CCP functions

KASE is entitled to perform trading and clearing activities

Objects/subjects of clearing service

50

clearing participants

FX market – 30
Equities market – 26
Derivatives market – 16

85

financial instruments

Under CCP servicing:
FX instruments – 33 (including
currency swaps)
Futures – 18

Securities – 34

KASE Clearing and CCP: current status (2)

Markets	Categories	Clearing activities	Instruments	Implementation of CCP activities*
FX Market	Spot	✓	All foreign currencies	✓
	Swap			
Securities Market	T+2 in KZT	✓	Financial instruments included in the List of financial instruments of the securities market, for transactions with which CASE is entitled to provide clearing service	x
	T+2 in USD			
	Repo in KZT			
	Repo in USD			
	T+0 in KZT	x		x
	Repo with limited securities			
with state securities				
with corporate securities				
Limited liability partnerships stakes				
Derivatives	Futures	✓	All futures	✓

*KASE operating as CCP: derivatives market since 2012
FX market from 2018

Market profile

CCP in FX market launched **in October 2018**

Clearing participants – **29**

Commercial banks –
27

National Bank of
Kazakhstan

Brokers (came in force
from April 22, 2018) –
1

Annual traded volume – **USD 137.6 bn**

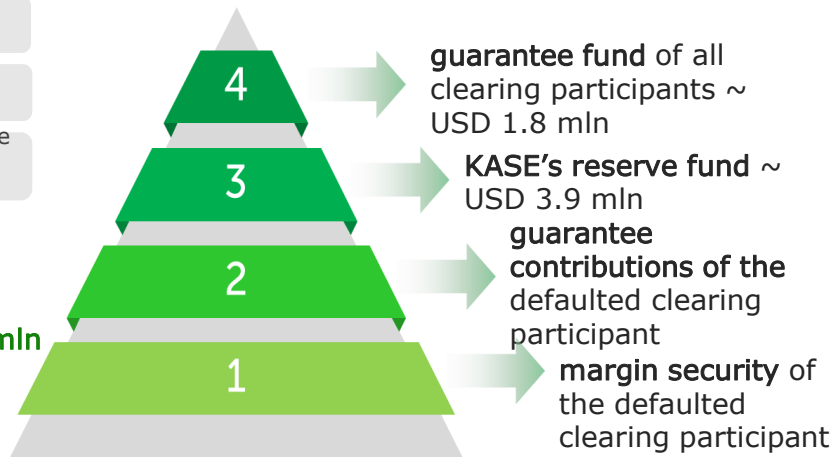
Average daily volume of deals – **USD 559.4 mln**

Average volume of one deal – **USD 1 540k**

Average daily number of deals – **363**

Risk Management System

Multi-level security system:



In case of insufficiency, liabilities are considered as deferred and recovery measures are conducted, after recovery the deferred liabilities are considered as discontinued.

Potential Markets

CCP in Securities Market **will be launched in October 2019**

Annual traded volume – **USD 13.9 bn**

Average daily volume of deals – **USD 56.4 mln**

Average daily number of deals – **590**

CCP in Money Market **will be launched in January 2020**

Annual traded volume – **USD 220.6 bn**

Average daily volume of deals – **USD 896.9 mln**

Average daily number of deals – **451**

Liquidity increase on KASE securities market

+41%

Value of trading on the securities market

x2

Value of trading on the equities market

Expansion of retail investor base

113

Number of issuers by the end of 2018

+20

New issuers

Regulator's reform aiming at cleaning up the banking sector to reduce long-standing banking sector vulnerabilities

+7,5k

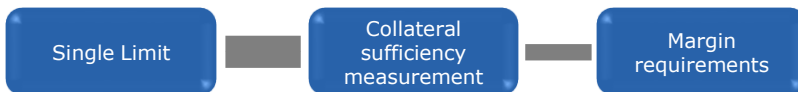
individuals' trading accounts

+7%

KASE Index growth

Individual collateral requirements for clearing members

Markets	Categories	Margin collateral	Collateral sufficiency measurement	Guarantee fees
FX Market	Spot Swap	Cash (KZT, USD not more than 50% of margin requirements)	Single limit	✓
	T+2 in KZT Repo in KZT	Financial instruments included in the List with settlements in KZT Cash (KZT)	Single limit	✓
Securities Market	T+2 in USD Repo in USD	Financial instruments included in the List with settlements in USD Cash (USD)		✗
	Derivatives	Futures	Cash (KZT)	Supported margin



The single limit on the clearing account should not be a negative value.

Categories of clearing members (1)

To determine requirements for ensuring execution of transactions, a clearing member is assigned one of the following three categories

Categories		Markets	Requirements to categories
"without collateral"	A clearing member participates in trading without providing collateral to ensure execution of obligations on transactions at a particular exchange market	Securities market Foreign exchange Derivatives	This category on any exchange market is assigned only to the National Bank of the Republic of Kazakhstan
"with partial collateral"	A clearing member participates in trading in financial instruments provided that there is adequate collateral formed under the Clearing Rules for executing obligations on transactions and active orders during this trading session.	Securities market Foreign exchange Derivatives	Only for clearing members of FX market <ol style="list-style-type: none">1. Rating A, B and C2. Equity should be at least KZT10 bn3. Compliance with requirements of the authorized body of the resident's country to equity and liquidity

Categories of clearing members (2)

If a clearing member does not comply with any of requirements set for category "with partial collateral", such member will be assigned one of the following categories:

- "with full coverage"
- "with partial collateral" using net position limits and setting individual initial margin rate

Categories	Markets	Requirements to categories
"with partial collateral" using net position limits and individual initial margin rate	Foreign exchange	The Management Board of the Exchange may assign this category only to those clearing members, which submitted an application on keeping the category "with partial collateral" if the requirements for this category have not been observed based on recent monitoring results.
"with full coverage"		There are no limits on the minimal rating level

- CCP is an important step to ease access to Kazakh markets
- Reached agreement with Clearstream opening accounts at Kazakh CSD via Citibank
- Providing direct access of foreign investors to Kazakh securities market
- Integration with international financial markets



clearstream | DEUTSCHE BÖRSE
GROUP

status – completed



euroclear

status – in progress

CCP meets the following principles and recommendations:

Principles for Financial Market Infrastructures for CCP

- Principle 4: Credit risk ✓
- Principle 6: Margin ✓
- Principle 14: Segregation and portability ✓

CPSS-IOSCO Recommendations for CCP

- Legal risk ✓
- Participation requirements ✓
- Measurement and management of credit exposures ✓
- Margin requirements ✓
- Financial resources ✓
- Default procedures ✓
- Custody and investment risks ✓
- Operational risk ✓
- Money settlements ✓
- Physical deliveries ✓
- Risks in links between CCPs ✓
- Efficiency , Governance , Transparency ✓
- Regulation and oversight ✓

On 10 October 2018, Moscow Exchange (MOEX) and Kazakhstan Stock Exchange (KASE) signed a strategic partnership Agreement

Under the Agreement:

- implementation of a central counterparty as an independent legal entity
- compliance with the European Market Infrastructure Regulation (EMIR) regulation


Expected post-trade players:


- KACD – securities settlement system
- KACD – settlement bank for CCP on the stock market
- KASE – CCP (up to March 2021)
- QCCP – CCP (after March 2021)
- National bank money for KZT settlement on FX and derivatives markets
- International custodian for foreign currency settlement


As a result:


- CCP operating as an independent legal entity having robust and reliable shareholder in equity
- ESMA recognition of CCP

Thank you for attention!

 Kazakhstan Stock Exchange

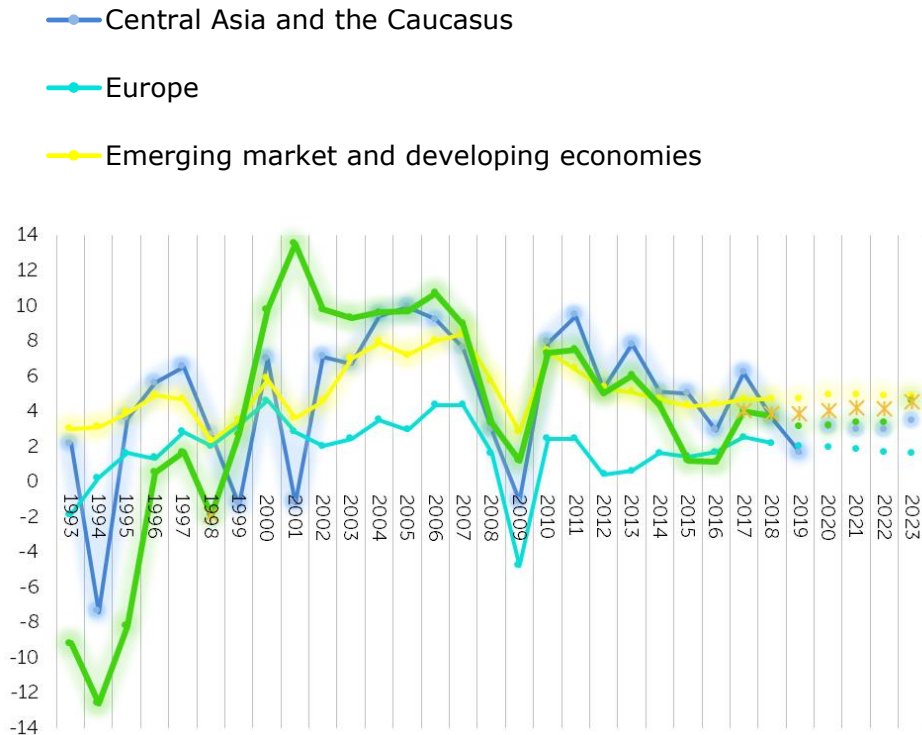
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Real GDP Growth, annual percent change



According to the International Monetary Fund, **real GDP growth in Kazakhstan is expected to be 3.2 %** this year what is higher than 4,1 % in Central Asia and the Caucasus and 1,3 % in Europe.

Source: International Monetary Fund, World Economic Outlook Update, January 2019: A Weakening Global Expansion