

The title 'KASE CCP Services' is displayed in a large, white, sans-serif font. It is centered within a bright green, rounded rectangular banner that spans across the middle of the slide. The background of the slide is a low-angle photograph of several modern skyscrapers with glass facades, reaching towards a cloudy sky.

Zhainar Sarzhakov
Member of the Board of Directors

October 30, 2024





State registration
June 21, 2022

formed by reorganisation of eTrade.kz LLP into KASE
Clearing Center JSC

Commencement of core activities
September 25, 2023

has assigned its clearing and settlement functions,
as well as functions of the central counterparty

Prior to KACC, clearing, settlement and central counterparty
functions were performed independently by KASE



100%
share owner

Purposes of creation

Separation of central counterparty risks
into a standalone organisation

Ensuring compliance
with global standards

Development of the central counterparty as a key
infrastructure element



As of September 25, 2023, KASE has transferred its clearing and settlement functions, as well as its central counterparty functions, to the KASE Clearing Center (KACC).

Starting from September 25, 2023, KACC provides CCP services for the stock and money markets.
Starting from June 3, 2024, KACC provides CCP services for the FX and derivatives markets.

On clearing services **1 543** instruments **272** issuers

Stock Market

STOCKS

147 instruments
129 issuers
Settlements:
83 in T+0, 64 in T+2

Large companies, SME,
GDR, Dual listing

BONDS

771 instruments
142 issuers
Settlements:
560 in T+0, 211 in T+2

Municipal bonds,
Government Bonds,
Foreign Government
Securities, Corporate
bonds, IFO bonds

OTHER SECURITIES

35 instruments
18 issuers
Settlements:
20 in T+0, 15 in T+2

Shares of investment
funds, ETF

Money Market

AUTOREPO

527 instruments
Settlements:
T+1 till T+90D

Stocks, Bonds, State
Securities Basket,
General collateral
certificates

SWAP

25 instruments
Settlements:
T+1 till T+1Y

USDKZT, RUBKZT,
CNYKZT, EURKZT

FX Market

SPOT

22 instruments
Settlements:
T+1 till T+2

USDKZT, RUBKZT,
CNYKZT, EURKZT,
EURUSD, USDCNY,
EURCNY

Derivatives

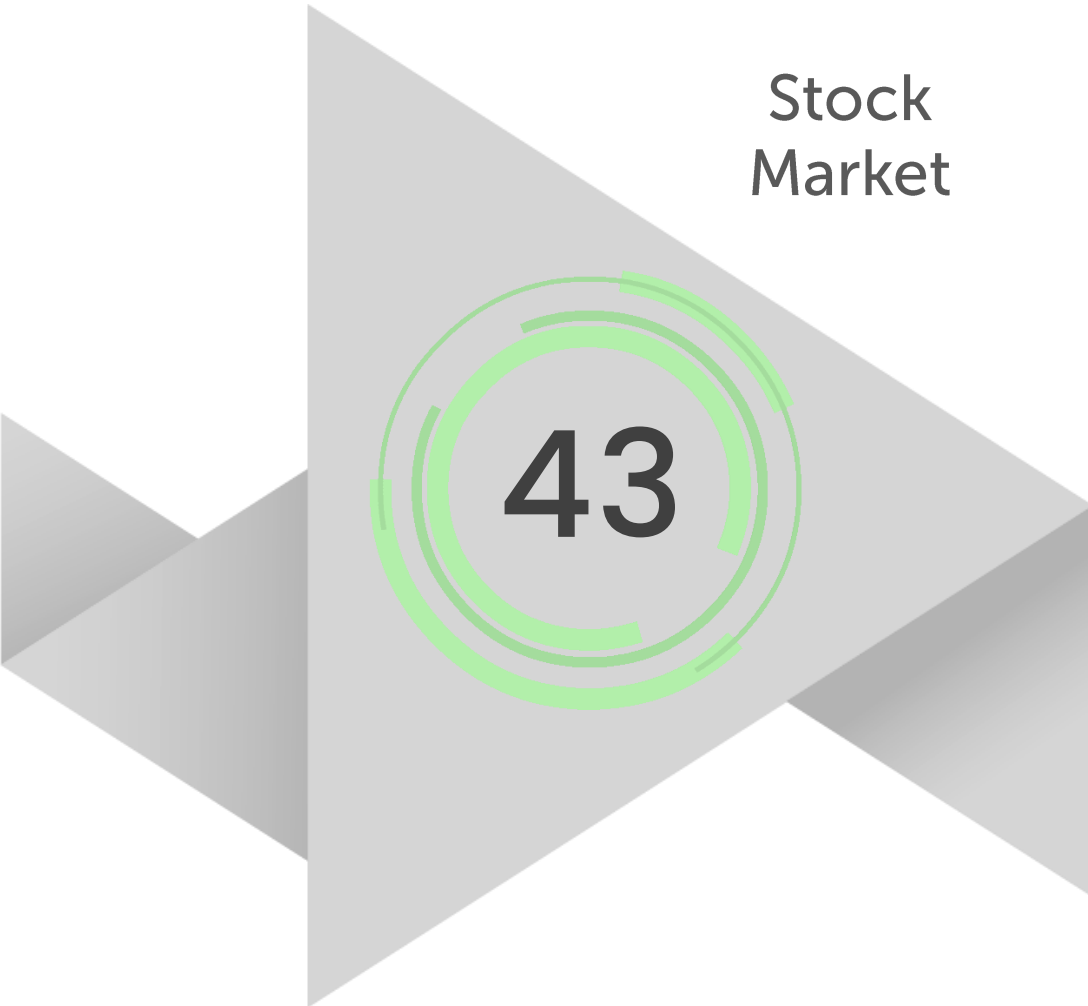
FUTURES

16 instruments

KASE Index, USDKZT,
RUBKZT, KZAP
HSBK

Clearing participants (1/3)

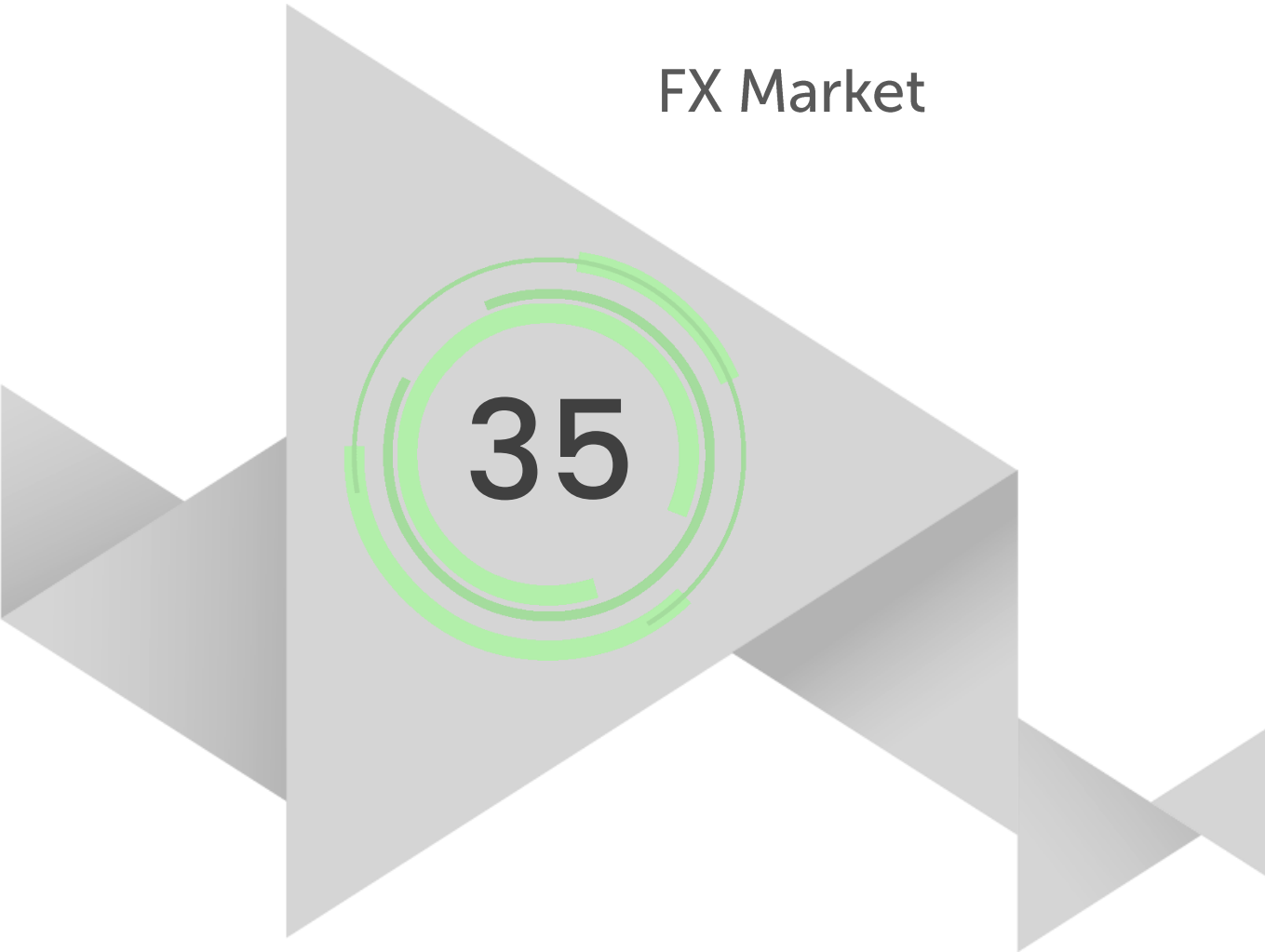
The CCP fully complies with necessary requirements for sanctions, anti-corruption measures, and anti-money laundering.



- 18 Second-tier Banks
Kazakh residents
- 22 Brokerage Firms
Kazakh residents
- 39 Local Participants
- 2 AIFC Participants
Freedom Finance Global PLC, NGDEM Global Limited
- 1 International Financial Institutions
Eurasian Development Bank
- 9 Participants have second-tier accounts (custody accounts)

Clearing participants (2/3)

The CCP fully complies with necessary requirements for sanctions, anti-corruption measures, and anti-money laundering.



- 22 Second-tier Banks
Kazakh residents
- 10 Brokerage Firms
Kazakh residents
- 32 Local Participants
- 2 International Financial Institutions
Eurasian Development Bank, Interstate Bank
- 1 Foreign Bank
Raiffeisen Bank

Clearing participants (3/3)

The CCP fully complies with necessary requirements for sanctions, anti-corruption measures, and anti-money laundering.

Derivatives Market



19

9 Second-tier Banks
Kazakh residents

10 Brokerage Firms
Kazakh residents

Categories of Clearing Members



WITHOUT COLLATERAL

Stock, FX, Money, Derivatives

Clearing participants can trade without providing collateral to meet their obligations on specific exchange markets
(National Bank only)



WITH PARTIAL COLLATERAL

Stock, FX, Money, Derivatives

Clearing participants can trade if they have enough collateral to cover their obligations on deals and active orders



WITH PARTIAL COLLATERAL USING THE LIMIT FOR OPENING POSITIONS

FX

Clearing participants can trade if they have sufficient collateral



WITH FULL COVERAGE

Stock, FX

Clearing participants may trade if they have full collateral to cover their obligations on deals and active orders

Chronology of CCP development at KASE

Launching of
CCP Services in
the Derivatives
Market

Launching of
CCP Services based
on a new IT Platform
in the Stock Market
(Stage 1 – Liquid Securities)

CCP Services in the
Derivatives market
based on a new IT
Platform

Transfer of settlement,
clearing and CC
services on the
FX market and
Derivatives



2012



2019



2021



2024

2018



Launching of CCP
Services in the FX
Market

2020

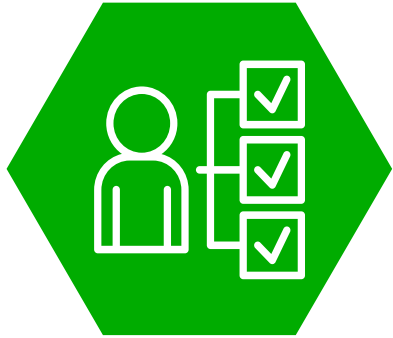


Launching CCP services based on
a new IT platform in the Stock
Market (Stage 2 – All Securities)
and the Money Market (Repo).
CCP services in the FX Market will
also be based on a new IT
platform.

2023



Transfer of
settlement, clearing,
and central
counterparty services
for the stock market
to a separate KASE
Clearing Center.



MEMBERSHIP CRITERIA

All potential members are thoroughly evaluated to ensure they have the financial resources and operational capabilities to meet the CCP's risk management requirements.

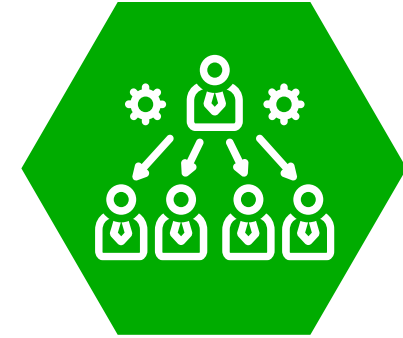
Memberships are continuously monitored to ensure ongoing compliance remains valid.



COLLATERAL MANAGEMENT

The CCP employs a thorough framework for setting initial and variation margin requirements, incorporating intraday margin revaluation for added resilience.

It also uses a pre-order validation procedure to ensure sufficient collateral and calculates margin requirements using a portfolio-based approach.

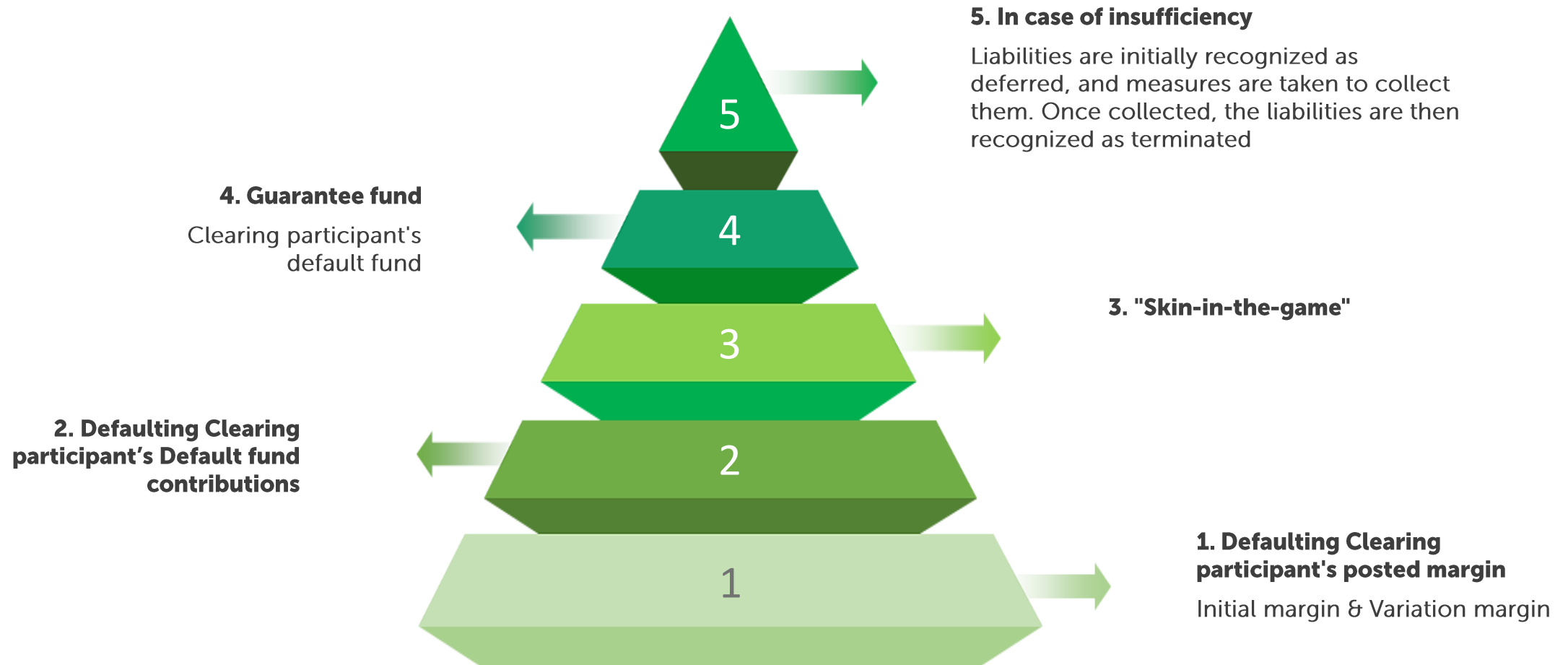


DEFAULT WATERFALL

The Default Waterfall and CCP's detailed default management process outline how financial resources are used to cover costs and manage the default of a clearing member.

These mechanisms include clear criteria for declaring a default and managing it, with the default fund specifically designed to handle defaults of the two clearing members with the largest exposures under extreme market conditions.

The CCP has detailed default management plans and procedures for transferring and liquidating positions. These plans provide clear criteria, in line with international standards, for recognizing a Clearing participant in default and the steps to be followed to address the default.



Margin Framework

Initial margin	Covers the risks and costs associated with closing out the positions of a defaulted Clearing Participant
Variation margin	Covers the daily mark-to-market movements in the value of the Clearing Participant's positions.
Intraday margin revaluation	During the mark-to-market (Initial and variation margin) During trading with increased intraday price volatility (Initial margin)
Portfolio approach	The collateral requirement is calculated at the level of the trading & clearing account (TCA), taking into account: <ul style="list-style-type: none">✓ open positions✓ individual risk parameters (if applicable)✓ revaluation of the portfolio value on the market✓ portfolio market risk✓ portfolio interest rate risk
Pre-order validation procedure	The adequacy of collateral is assessed using the Single Limit value. The Single Limit indicates the amount of available funds that can be used to secure transactions. During trading, the collateral deposited by participants in currency (KZT, USD) and securities (including participant positions and portfolio risks) is evaluated. If placing an order does not lead to a negative Planned Single Limit, the order may be permitted.

Acceptable Collateral

The CCP accepts the following currencies and securities as cover for initial margin:

KZT, USD

Stock, FX, Money, Derivatives

Stock Market and Repo transactions

- 48 Liquid shares
- 3 GDR
- 84 Government Bonds
- 8 Foreign Government Securities
- 67 Corporate bonds
- 1 ETF
- 30 IFI bonds
- 1 General collateral certificate

Key benefits of the CCP

Sources of systemic risk include insufficient collateralization, excessive risk-taking, and a complex network of interconnections among market participants. The main tool to address systemic risk is the use of central clearing.



DECREASED INTERCONNECTION

Central clearing lowers the connections between trades, which helps protect market participants if someone defaults.



REDUCED TRADE PROCESSING

Netting reduces costs for trade and collateral processing, while Central Clearing simplifies operations and reduces the amount owed, making money move more efficiently between traders.



IMPROVED STABILITY OF FINANCIAL MARKETS

Collecting margin collateral cuts systemic risk and curbs excessive risk-taking, while CCPs lower contagion risk and centralized default management tools reduce uncertainty and build confidence among members.



TRANSPARENCY

The CCP offers a complete view of the cleared markets, follows unique rulebooks rather than individual agreements with each counterparty, and publishes Public Quantitative Disclosures (PQDs) in line with CPMI-IOSCO standards.



COUNTERPARTY ACCESS

CCP clearing members don't have to perform Know-Your-Client (KYC) checks for each new counterparty they trade with, because the CCP itself is the only legal counterparty.



COMPREHENSIVE RISK-MANAGEMENT

CCPs handle counterparty risk by using advanced risk modeling and making sure they have enough resources to cover the loss of their two largest clearing members.



TRADE PRIVACY

The counterparty for every trade is always the CCP itself, which ensures trade anonymity for clearing members.

KASE Market Infrastructure

 **Regulator: Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market**



Retail Investors



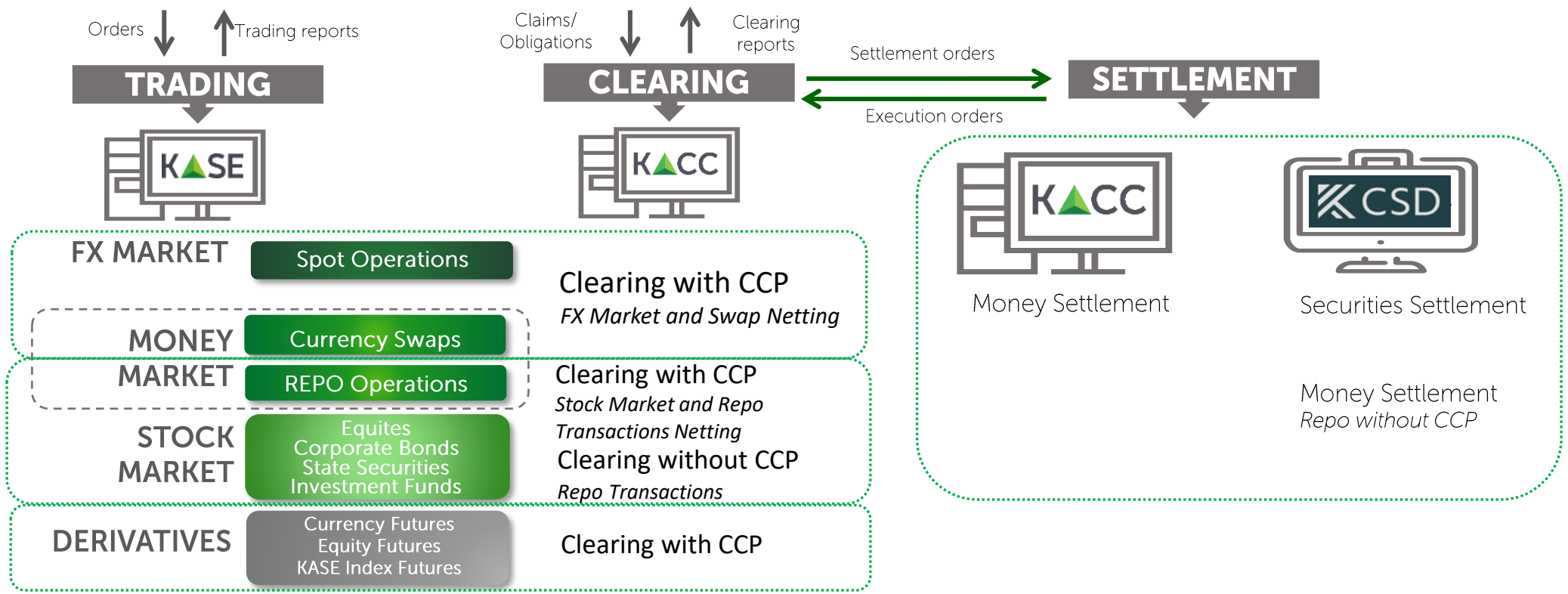
International Investors



Institutional Investors



Companies



Money Settlement

KACC is the **settlement organisation** in the Stock, FX, Money, Derivatives markets.

KACC is an infrastructure organization and, in accordance with the resolution of the Board of the National Bank of Republic of Kazakhstan (NBRK) acknowledged as system-important infrastructure financial organization. KACC is a participant of **payment infrastructure of NBRK** and the National Payment Corporation of Kazakhstan.



SETTLEMENT IN KZT ON FX AND DERIVATIVES MARKETS

Settlement in KZT for trading on FX market and the Derivatives market is carried out through the correspondent account of KACC with the National Bank of the Republic of Kazakhstan in the inter-bank money transfer system by using the National Payment Corporation of Kazakhstan's (NPCK) payment systems.



SETTLEMENT IN FOREIGN CURRENCIES

Settlement for transactions in foreign currencies for trading on FX market and the Derivatives market is carried out through KACC's own correspondent accounts maintained with specific foreign banks in the respective countries using the SWIFT system.



SETTLEMENT ON STOCK MARKET

Settlement in tenge and foreign currency for trading on the stock market is carried out through the KACC's multi-currency correspondent account with the Central Securities Depository.



PvP

All money settlement of Stock, FX, Money, Derivatives deals that took place on KASE is carried out by the KACC Settlement Department on a Payment versus Payment (PvP) basis.



REAL-TIME SETTLEMENTS

Settlement of transactions in financial instruments is carrying out in a real-time regime with the transfer of funds in real time.



KACC's CORRESPONDENTS BANKS

KACC's Correspondent banks are world leaders in finance and are leading providers of global clearing services, with direct membership in clearing systems.

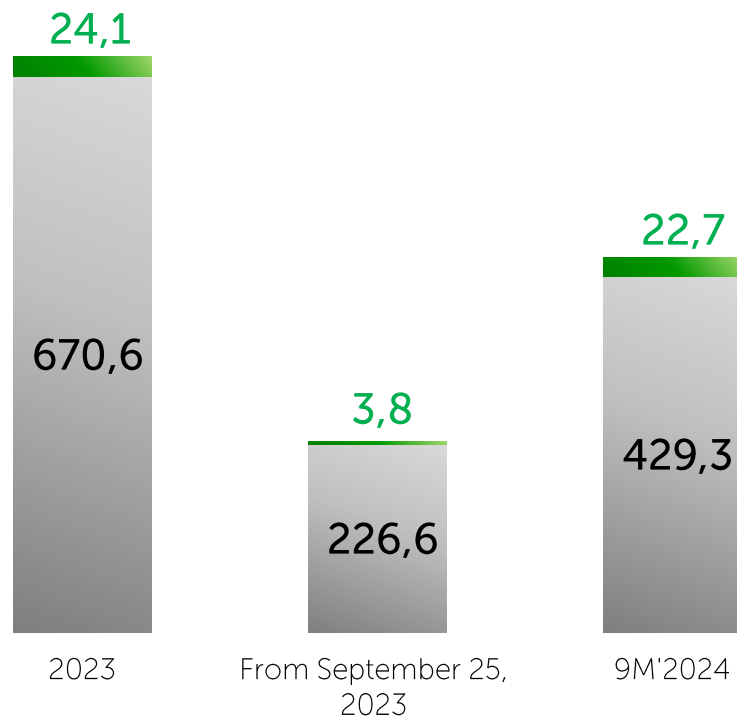


Clearing Center and its market volumes

Stock market

REPO Operations

Dynamics of securities and repo market trading volume on KASE, USD bn



Volume of secondary market transactions in T+2 in 9M'2024

\$3,847.5
mln

In 2023
\$7,497.5 mln

Share of deals in T+2

~77%

of the total trading volume of the secondary stock market

Volume of repo deals with CCPs in 9M'2024

\$417.7 bn

In 2023
656.6 USD bn

Share of repo trades with CCPs

~97%

of the total repo trading volume

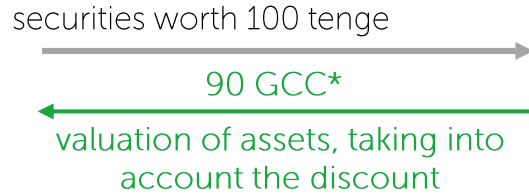
Implementation of general collateral certificates (GCC)

A General Collateral Certificate (GCC) is a non-issue collateralized security used as universal collateral for repo transactions with the CCP. It is available for settlements in tenge with maturities of 1, 2, 3, 7, 14, 30, 60, or 90 days.

Issue of GCC



Members



Collateral pool "GC Global"



Cash
(tenge and US dollars)



Securities accepted by the Central Counterparty as collateral for transactions with partial collateral, with the exception of government securities

GCC is issued in exchange for contributed assets to the property pool

** 1 GCC = 1 tenge*

Benefits

- the ability to effectively manage collateral and replace assets deposited in the pool before the repo transaction expires;
- for GCC repo transactions, the collateral pool is kept in a separate account at the Central Securities Depository, and the trading participant directly receives dividend and coupon payments on their securities;
- trading participants do not need to independently evaluate collateral for repo transactions with GCC, the Exchange, as the central counterparty, handles the collateral evaluation.

- 🕒 We plan to obtain ESMA recognition as a third-country CCP
- 🕒 In collaboration with the regulator, we are modernizing Kazakh legislation to align with EMIR requirements
- ✅ In 2023, we conducted a risk-model validation with French consultant Zeliade Systems
- 🕒 We are currently undergoing a CCP Risk Assessment by Thomas Murray
- 🕒 In addition our compliance will be assessed with CPMI-IOSCO PFMI
- ✅ In October 2024 we successfully completed ISO 9001 and ISO 27001 audit
- ✅ CCP Global member since 2023
- 🕒 We aim to obtain a credit rating by 2025

Work plan for 2024

- Launching the system to guarantee settlement finality in the IPCS system
- Developing the repo market with GCC
- Enhancing the risk management system
- Improving operations in line with global standards, as assessed in the PFMI self-assessment
- Implementing a recovery plan, supported by the parent company KASE, which maintains a reserve fund of 3,878 mln KZT for this purpose.
- Planning to improve CCP regulation according to the PFMI self-assessment, including creating new regulations with support from a legal advisor.

Thank You!

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