



General Collateral Certificates

August 2022



General collateral certificates



From August 22, 2022

The Exchange launches a new version of the ASTS+ trading and clearing system, which provides an opportunity for trading participants to make repo transactions with clearing participation certificates

Goal

simplification of repo transactions , by securitizing the collateral for repo transactions

General collateral certificates (GCC)

Non-issue collateralized perpetual securities issued by the Exchange and certifying the right of their owners to a share in assets that are in a specially created guarantee fund of KASE – the property pool

The Exchange, as a clearing organization, issues GCC in exchange for assets contributed by clearing participants to the Property pool

Property pool

At the first stage, it is planned to form one "General" Property pool

The "General" Property pool includes:

- cash (tenge and US dollars)
- securities accepted by the CCP as collateral for transactions with partial collateral, except for government securities of the Republic of Kazakhstan

Features of the GCC

All clearing participants who have applied for registration in the TCS of the "General" Property pool are admitted
Settlements on repo transactions with the CCP with GCC are carried out jointly (in one clearing pool) with settlements on repo transactions with the CCP and T+

Transactions in the modes of trading in repo transactions with the CCP with GCC are concluded with settlements in the Kazakh tenge

Standard terms: 1, 2, 3, 7, 14, 30, 60, 90 calendar days from the date of conclusion of a repo opening deal

Submission of applications is possible both in the "nego" way and "automatic" way.

The coverage of orders with collateral is checked for the interest risk

REPO transactions with the CCP with GCC are discountless

Benefits of repo transactions with CPC

- GCC are accounted for as individual clearing collateral
- GCC can serve as collateral for other transactions with the CCP
- Online replacement of the collateral



- Absence of corporate action
- Absence of ACI
- No change in the value of the GCC
- Netting of multidirectional positions in different terms

GCC issue procedure and scheme of contributing assets to the property pool

Clearing participant



1 CPC = 1 KZT
GCC value is permanent

Assets worth 100 KZT (with an initial margin rate of 10%)



Property pool



90 GCC, or risk-adjusted asset valuation equal to 90 KZT

Seller of GCC

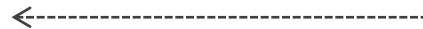


Repo opening deal with CCP with GCC

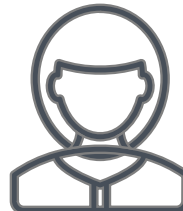
100 GCC



100 KZT



Buyer of GCC



Buyer of GCC



Repo closing deal with CCP with GCC

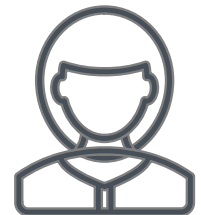
100 KZT + interest at the repo rate



100 GCC



Seller of GCC



General revaluation scheme

Revaluation when the value of assets increases

Initial data

Assets: **100 KZT**

Risk-adjusted revaluation: **+10%**

Asset growth: **+10%**

Assets: **110 KZT**

BEFORE REVALUATION

TCA PP:
90 KZT
(with discount)

TCA T+:
90 GCC

REVALUATION

10 % = +9 KZT

AFTER REVALUATION

TCA PP:
99 KZT
(with discount)

TCA T+:
99 GCC

Revaluation when the value of assets increases

Initial data

Assets: **100 KZT**

Risk-adjusted revaluation: **-10%**

Growth in asset value: **- 10%**

Assets: **90 KZT**

BEFORE REVALUATION

TCA PP:
90 KZT
(with discount)

TCA T+:
90 GCC

REVALUATION

-10% = -9 KZT

AFTER REVALUATION

TCA PP:
81 KZT
(with discount)

TCA T+:
81 GCC

Replenishment
of 9 KZT to 90 KZT

MARGIN-CALL = 9 CPC

Actions of the CCP if the CP fails to fulfill his obligations under margin requirements



The revaluation of the assets included in the PP is carried out daily during the mark-to-market clearing session

- at an increase in the total value of assets accounted for under the TCA PP, a CPC is issued
- At a fall in the total value of assets accounted for under the TCA PP, the GCC is redeemed



If it is impossible to redeem the CPC in the required amount, following the results of the mark-to-market clearing session, a negative Single limit is recorded and the Clearing Participant is issued a margin-call for its value, which he must fulfill before 14:00 o'clock ALT

A margin call can be fulfilled by:

- depositing assets on TCA PP
- repayment of GCC accounted for under the TCA T+ corresponding to the TCA PP
- sale of securities contributed to the PP



If the Clearing Participant fails to fulfill the margin-call before 14:00 o'clock ALT, the CCP may sell the assets recorded on the TCA PP in the amount necessary for fulfillment of the margin-call

Actions of the CCP when a CP fails to meet his obligations under REPO transactions with GCC

Failure in cash

The standard procedure for settling unfulfilled obligations is applied – the position rollover for 1 day

Independent settlement by the unconscientious CP of his outstanding obligations through REPO transactions in the system mode (30 minutes after the start of the first clearing session and 15 minutes after the start of the second clearing session)

CCP settlement with the unconscientious CP: CCP concludes a SWAP/REPO on behalf of the unconscientious CP

Failure in CPC

Independent settlement by the unconscientious CP of his unfulfilled obligations by crediting assets to the TCA PP for the purpose of issuing CPC (30 minutes after the start of the first clearing session and 15 minutes after the start of the second clearing session)

Settlement by the CCP of unfulfilled positions of the unconscientious CP by issuing missing CPC with crediting them to the TCA "S+" / "I+" / "C+" / "O+" , for which a shortage of CPC was recorded, by writing off money in tenge from the TCA "S+" / "I+" / "C+" / "O+"

If, as a result of debiting money in tenge from the TCA "S+" / "I+" / "C+" / "O+" , a negative position emerges, then the standard procedure for settling outstanding obligations is applied – position rollover for 1 day – the CCP concludes a SWAP / repo on behalf of the unconscientious CP
CP bears risks provoking non-performance in the CPC, in case of a decrease in the total value of assets accounted for under the TCA PP

Failure in securities

Independent settlement by the unconscientious CP of his outstanding obligations through REPO transactions in the system mode (30 minutes after the start of the first clearing session and 15 minutes after the start of the second clearing session)

Settlement by the CCP of outstanding positions of the unconscientious CP by transferring the missing number of securities from the TCA PP to the TCA "S+" / "I+" / "C+" / "O+" , subject to a positive check for the sufficiency of the SL and redemption of the CPC

Settlement by the CCP with the unconscientious CP – the CCP concludes the SWAP/ repo on behalf of the unconscientious CP

Attracting the necessary FI on the market – the CCP in the “Best orders” mode on its own behalf places an order "For everyone" to conclude a repo transaction with the direction buying / selling. Any CP can accept the order submitted by the CCP and act as an FI donor

Attracting the required FI from the CP – the CCP concludes repo transactions with the CP that has the required FI on its own TCA, or with a voluntary provider that has the required FI on the client's TCA

Settlement by the CCP with a conscientious CP that has counterclaims with the current settlement date for the required FI – the CCP concludes transactions on behalf of the conscientious CP

Refusal of the contract in the property pool

1

A pool participant has the **right to refuse** the agreement on the Property pool only **if all** GCC issued to him are **redeemed**

2

To cancel the Property Pool agreement, the Pool Member **must** :

- **withdraw all assets** from the Property Pool in advance
- **submit an application to the CCP for refusal** of the Property Pool agreement

1



How to become a member of the property pool?

The CP must submit an **application** for registration of the TCA PP for asset accounting, indicating:

- ✓ property pool code
- ✓ TCA T+ numbers
- ✓ consent with the CCP settlement procedure

2



What are the ways to contribute property to the property pool?

Cash – by crediting to the account of the CCP
Securities – by transferring securities to the TCS ASTS+

3



How are CPCs issued?

At the time of contribution by the CP of assets to the PP, the CCP credits the CPC to the TCA "S+" / "I+" / "C+" / "O+"

The number of CPC corresponds to the positive integer value of the SL

4



How are CPCs redeemed?

CPCs are redeemed at the initiative of the CP or at the initiative of the CCP:

- when revaluing IP. The number of GCC to be redeemed corresponds to the absolute value of the negative figure of the SL for the PP
- when withdrawing assets from the PP:
 - cash with a refund request
 - securities by transferring from TCA PP "Sg" / "Ig" / "Cg" to TCA "S+" / "I+" / "C+" / "O+"

Thank you for attention!

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FAQ

