

KAZAKHSTAN STOCK EXCHANGE INC

PRESS RELEASE

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Almaty

New Listing Requirements Project is being Prepared for United KASE & RFCA Floor

The Agency of the Republic of Kazakhstan on Regulation of Activities of the Regional Financial Center of Almaty (ARD RFCA) jointly with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (AFS) and Kazakhstan Stock Exchange Inc. (KASE) are intensively working to complete the project of the normative legal act, which must specify new listing requirements – requirements to the issuers, securities of which are supposed for listing or listed on the list of the united KASE and RFCA floor, and to such securities.

This normative legal act **must substitute** two currently acting normative legal acts of the indicated state agencies:

- 1) resolution No. 73 of AFS "On Requirements to the Issuers and Their Securities Admissible (Admitted) to Circulation on the Stock Exchange, and to Individual Categories of the Stock Exchange List" of March 30, 2007 (this resolution was accepted in compliance with item 1 of article 89 of the Law of the Republic of Kazakhstan "On Securities Market");
- 2) directive No. 5 of the Chairman of ARD RFCA "On Setting Requirements to the Issuers, Securities of which are Admissible or Admitted to the List of the Special Trading Floor of the Regional Financial Center of Almaty, and to Such Securities" of March 8, 2006 (this directive was accepted in compliance with sub-item 5) of article 6 of the Law of the Republic of Kazakhstan "On Regional Financial Center of Almaty").

Adoption of new normative legal act must become the next **step to unity** of the KASE main trading floor and a special trading floor of the Regional Financial Center of Almaty (STF RFCA). The adoption of the Law of the Republic of Kazakhstan "On Making Changes and Additions in Legal Acts of the Republic of Kazakhstan on Development of the Regional Financial Center of Almaty" of July 21, 2007 made it possible to make **the first step** to such unity. In accordance to this law and the amendments to KASE internal documents adopted on the basis thereof KASE "main" categories members were afforded an opportunity of accreditation as the participants of the Regional Financial Center of Almaty (RFCA) and to participation in trades on STF RFCA, and KASE so-called category "A" members (STF RFCA trades participants) were allowed for access to the rest of KASE membership categories, and, accordingly, to participation in trades on the KASE main trading floor.

Unifying the KASE main trading floor and STF RFCA is specifically relevant for the Kazakhstan stock market; it allows correcting the mistake, initially made in the RFCA concept when developing the Law of the Republic of Kazakhstan "On the Regional Financial Center of Almaty", – made up division of Kazakhstan securities market into the two trading floors with allegedly different sets of financial instruments and professional participants with different tax regimes.

Adoption of the new normative legal act will require substantial modification of the KASE normative base, currently represented with more than 100 documents. The statement "**KASE = STF RFCA**" and a resulting deduction "Financial instruments, admitted to circulation on KASE = financial instruments, admitted to circulation on STF RFCA" will be the most principle new change in KASE internal documents, which will allow unifying **tax regimes** operational on the Kazakhstan stock market.

Thus, it is possible to suppose the two-year uncertainty period generated by a law making error end in 2008.

The innovations of the normative legal act will represent a structural change of the listing requirements and, accordingly, the KASE official list:

- the sector of corporate securities, admitted to circulation on KASE, will be divided into two main groups – shares and debt securities;
- the sector of shares will be divided in 3 categories – Blue_Chips, Mid_Cap (steadily operating middle capitalization companies), Start_Up (shares of perspective developing issuers, including

venture companies);

- the sector of debt securities will be divided by ratings criteria;
- the list of the corporate securities, admitted to circulation on KASE, will be supplemented with new types of instruments – units of investment funds, index fund securities, derivative securities and others.

Accrued expertise and practices of Kazakhstan stock market operation and its development prospects will be accounted for when working out a new normative legal act.

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KASE is the only exchange, servicing the financial market in Kazakhstan. This is a universal floor, where repo market instruments, foreign currencies (US dollar, euro, and Russian ruble), government and corporate securities of Kazakhstan and foreign issuers, international financial organizations bonds are traded. KASE is an operator of STF RFCA. KASE own capital as on January 1, 2008 made approximately \$9.7 m. In 2007 KASE total turnover reached an equivalent of \$322.5 bn. Capitalization of the KASE share market as on April 1, 2008 made \$55.2 bn., corporate bonds market – \$12.0 bn.

The project of RFCA establishment was initiated by the President of the Republic of Kazakhstan and voiced by the Head of the state at the meeting with the Kazakhstan Banks Association members in 1995, and at the speech at the Kazakhstan Financiers Congress in November 2004.

The Law of the Republic of Kazakhstan "On the Regional Financial Center of Almaty" was adopted and corresponding changes to legal acts of the Republic of Kazakhstan were made June 5, 2006. The same year the authorized agency of the financial center – the Agency of the Republic of Kazakhstan on Regulation of Activities of the Regional Financial Center of Almaty started to operate.

RFCA was established for the purpose of the Kazakhstan securities market development, ensuring its integration with international capital market, attracting investments to the economy of the Republic of Kazakhstan, access of the Kazakhstan capital to foreign stock markets.