

KAZAKHSTAN STOCK EXCHANGE

Agreed on

with the Agency of the Republic of
Kazakhstan on Regulation and Supervision of
Financial Market and Financial Organizations

February 8, 2010

Deputy Chairman of the Agency of the
Republic of Kazakhstan on Regulation
and Supervision of Financial Market
and Financial Organizations

Approved

by Kazakhstan Stock Exchange
Board of Directors decision

(minutes of meeting No. 33
of December 24, 2009)

Effective

from February 9, 2010

A. ALDAMBERGEN

NOTICE

The Regulation below in English has been translated by employees of Kazakhstan Stock Exchange for information purposes only. In case of any incompliance of this translation with the Regulation original version in Russian, the latter prevails.

REGULATION

on Committee for Foreign Currencies Market

Almaty

2009

LIST OF AMENDMENTS

1. Changes and Additions No. 1:

- agreed on with the Committee on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan on December 2, 2011;
- approved by Kazakhstan Stock Exchange Board of Directors decision (minutes No. 28 of October 27, 2011);
- effective from December 28, 2011.

This Regulation determines the procedure of creation and operation, as well as functions and authorities of the Committee for Foreign Currencies Market (hereinafter – the Committee).

Chapter 1. GENERAL PROVISIONS

1. The Committee is a permanent out-of-structure body of Kazakhstan Stock Exchange (hereinafter – the Exchange); the Committee's main objectives include:
 - detection of incidents of insolvency of Exchange members by category "currency market member" (hereinafter – currency market member);
 - making decisions on transfer of currency market members from one mode of payments on exchange trades in foreign currencies to another mode;
 - setting an initial mode of payments on exchange trades in foreign currencies at admission of any organization to the currency market membership and the period, during which such currency market member must make payments in this mode;
 - defining sizes of the day aggregate limit of trades participants net positions;
 - other objectives related to trades in foreign currencies in compliance with Exchange internal documents.

(This item was changed by the Exchange Board of Directors decision of October 27, 2011).

2. Members of the Committee:
 - 1) representative of the National Bank of the Republic of Kazakhstan (hereinafter – the National Bank);
 - 2) representative of the Committee on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (hereinafter – CFS);
 - 3) representative of the Exchange – the Exchange Management Board member, supervising the Clearing House;
 - 4) six representatives of the currency market – only one representative from one currency market member.

(This item was changed by the Exchange Board of Directors decision of October 27, 2011).

3. The Committee members – representatives of six currency market members are approved by the Exchange Board of Directors decision.

The Committee members – representatives of the National Bank, CFS and Exchange are defined by above mentioned organizations independently.

(This item was changed by the Exchange Board of Directors decision of October 27, 2011).

4. Chairman of the Committee is elected by the simply majority out of Committee members at the Committee first meeting from the moment of approval by the Exchange Board of Directors of the Committee members.

When electing the Committee Chairman, the Committee members have the right to elect the committee member, entitled to replace the committee Chairman in case of his/her absence.

(This item was changed by the Exchange Board of Directors decision of October 27, 2011).

5. The National Bank, CFS and Exchange have the right to independently define persons, entitled to replace these Committee members in case of their absence *(this item was changed by the Exchange Board of Directors decision of October 27, 2011).*
6. Terms of office of the Committee members on behalf of the National Bank, CFS and Exchange as well as persons, entitled to replace them in case of their absence, is defined by these organizations independently *(this item was changed by the Exchange Board of Directors decision of October 27, 2011).*
7. Terms of office of the Committee members on behalf of the currency market members is one calendar year beginning the moment of their approval by the Exchange Board of Directors.

Persons, entitled to replace these members in case of their absence, are approved by the Exchange Board of Directors within the period, for which were elected their authorized representatives.

(This item was changed by the Exchange Board of Directors decision of October 27, 2011).

Chapter 2. ORDER OF ELECTION OF THE COMMITTEE MEMBERS ON BEHALF OF THE CURRENCY MARKET MEMBERS AND REPLACING THEM PERSONS

(This chapter headline was changed by the Exchange Board of Directors decision of October 27, 2011).

9. The list of candidates to become to the Committee membership on behalf of the currency market members (hereinafter – the Candidate) is developed based on the currency market members submitted applications. Each currency market member has the right to state only one representative as the Candidate.

The application is submitted not later than ten working days from the moment of the Exchange notice on election of the Committee members from the currency market members and must contain the following data on the Candidate:

- 1) surname, name and patronymic;
- 2) short CV, including a description of previous occupations for at least three past years with indication of positions occupied.

(This item was changed by the Exchange Board of Directors decision of October 27, 2011).

10. The Committee members on behalf of the currency market members are defined from the list of candidates developed in compliance with item 9 of this Regulation:

Given this such members during twelve consecutive months must meet the following requirements:

- fulfill to the Exchange their obligations, including timely payments on foreign currencies trading results, commission fees and other collections and amounts payable by such currency market members to the Exchange according to the Exchange internal documents;
- provide financial statements for the last 12 months in the order and term defined by the Exchange internal documents;
- observe as of the last reporting date prudential norms and limits of an open currency position, set forth by an authorized government agency.

The Committee members on behalf of the currency market members are elected through an absentee voting of all currency market members on the order set forth by item 6 of this Regulation.

(This item was changed by the Exchange Board of Directors decision of October 27, 2011).

11. In the course of deciding on the election of the currency market member into the Committee out of candidates who collected an equal number of votes, the Exchange Board of Directors may prefer a candidate who has not been elected into the Committee before *(this item was changed by the Exchange Board of Directors decision of October 27, 2011)*.
12. Composition of the currency market members in the Committee is carried out annually one month before expiration of the previous Committee authorities *(this item was changed by the Exchange Board of Directors decision of October 27, 2011)*.
13. *(This item was removed by the Exchange Board of Directors decision of October 27, 2011)*.
14. In case of absence at a Committee meeting of the currency market member or a person replacing him three or more times, that Exchange member automatically loses the Committee membership.

The currency market member who lost his Committee membership due to the reason specified in the first paragraph of this item, is replaced by the currency market member with the highest activity ranking after the Exchange member being replaced or an Exchange member who

collected the highest number of votes after the Exchange member being replaced. In case there are two or more Exchange members who collected an equal number of votes, Committee members are defined by a decision of the Exchange Board of Directors at its next meeting.

(This item was changed by the Exchange Board of Directors decision of October 27, 2011)

Chapter 3. OPERATION PROCEDURE

15. A Committee meeting is called when any Committee member or the currency market member submits a request to the Exchange for calling a meeting of the Committee, according to the form specified in Appendix 2 of this Regulation (in electronic form to the address of the Exchange's Clearing House clhouse@kase.kz and in hard copy) *(this item was changed by the Exchange Board of Directors decision of October 27, 2011)*.
16. A meeting of the Committee is held within three working days after the Exchange receives the mentioned request.
17. Any of the following facts can be a reason for submitting a request for calling a meeting of the Committee:
 - any overdue debt of the currency market member with regard to received interbank loans as of the most recent reporting date or his non-fulfillment of liabilities on other over-the-counter transactions *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*;
 - non-fulfillment by the currency market member of his liabilities towards the Exchange, including those regarding timely execution of payments and financial reporting *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*;
 - violation of any of prudential regulations regarding liquidity and sufficiency of the net worth (k1, k2, k4, k4-1, k4-2, k4-3, k4-4, k4-5, k4-6) and limits of an open currency position set forth by an authorized government agency of the Republic of Kazakhstan *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*;
 - any negative information witnessing of substantial worsening of the currency market member financial position *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*.

At the same time, if the last of the mentioned facts was the reason, more detailed data may be presented at the Committee meeting, verbally also, with the purpose of ensuring confidentiality of information.

18. The Committee, with the purpose of conducting meetings and drawing up and signing of minutes, may select a Committee secretary out of Committee members' representatives or Exchange employees on a permanent basis, or a Committee meeting secretary.
19. One day before holding a Committee meeting, the Exchange sends in electronic form to Committee members the following information about the currency market member whose possible transfer from one payment mode into another is to be considered at the meeting *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*:
 - 1) financial position indicators for the most recent completed reporting period, (data on fulfillment of prudential regulations, size of profit (losses), net worth and assets);
 - 2) data on facts of violation by the currency market members of their liabilities towards the Exchange (including facts regarding violation of payment conditions) for the period from the date of the previous presentation of similar data up to the date preceding the date of request for calling a Committee meeting *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*.

For clarification of circumstances the Committee may request from this currency market member additional written explanations on his solvency, and in case of need, invite representatives of that Exchange member to a Committee meeting.

20. When necessary, the Committee may invite experts and advisors, as well as request additional documents necessary for a complete and comprehensive examination of the respective issue.

21. The Committee may scrutinize issues put up for its consideration and take decisions thereupon, if at least two thirds of the total number of Committee members take part in the Committee meeting (or absentee voting by Committee members).

22. At a Committee meeting its decisions are taken by way of open voting, except for cases specified by Committee decisions, as well as cases, when the chairman of that meeting or at least two thirds of Committee members participating in that meeting request secret voting.

Committee decisions are taken by the simple majority of all voices of Committee meeting participants.

In case of equality of votes, the Committee Chairman replacing him person vote is a decisive (*this paragraph was included by the Exchange Board of Directors decision of October 27, 2011*).

23. The Committee may take decisions by way of absentee voting, if:

- 1) the currency market member who submitted a request for calling a Committee meeting, has specified therein that such voting method is preferable and (*this sub-item was changed by the Exchange Board of Directors decision of October 27, 2011*);
- 2) none of Committee members has expressed himself in written form against absentee voting.

In case of conducting of absentee voting by Committee members:

- 1) a notification of absentee voting and bulletins for such voting are sent to Committee members; at the same time a separate bulletin is drawn up for each Committee decision put up for absentee voting;
 - 2) bulletins for absentee voting are signed by representatives of Committee members or persons authorized to stand in for those representatives in case of their absence who voted for taking the decision formulated in those bulletins;
 - 3) a decision formulated in bulletins for absentee voting is legally bounding, if more than half of the total number of Committee members who took part in the absentee voting voted in its favour within three working days after the day, the Committee members received a notification of absentee voting and the mentioned bulletins.
24. When the Committee takes a decision on transfer of the currency market member from one payment execution mode into another, the Committee member upon whom this decision is taken, does not have the right to take part in the voting (*this item was changed by the Exchange Board of Directors decision of October 27, 2011*).
25. Upon expiration of each calendar month, not later than the fifteenth date of the following calendar month, the Exchange sends to Committee members in electronic form the following information on all of the currency market members (*this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011*):
- 1) financial position indicators for the most recent completed reporting period, (data on fulfillment of prudential regulations, size of profit (losses), net worth and assets);
 - 2) data on facts of violation by currency market members of their liabilities towards the Exchange (including facts regarding violation of payment conditions) for the period from the date of the previous presentation of similar data up to the date preceding the date of request for calling a Committee meeting (*this sub-item was changed by the Exchange Board of Directors decision of October 27, 2011*).
26. On the second working day after the receipt of information listed in the previous item of this Regulation, Committee members must fill in the questionnaire according to Appendix 3 of this Regulation and sent it to the electronic address of the Exchange's Clearing House.

In case of any Committee member expressing his doubt as to the solvency of one of the currency market members as a result of filling in the mentioned questionnaire, a Committee meeting is to be held within three working days (*this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011*).

If the Committee member fails to submit the questionnaire in the above mentioned period it shall be considered that this Committee member did not stated doubts on solvency of any currency

market member *(this paragraph was included by the Exchange Board of Directors decision of October 27, 2011).*

27. The Committee may take a decision on transfer of the currency market member from the urgent mode into the mode of preliminary delivery of foreign currency being sold and/or payment for foreign currency being bought, for as long as three months *(this item was changed by the Exchange Board of Directors decision of October 27, 2011).*

Upon expiration of the said term, the Committee may cancel the said decision or increase the term, during which that currency market member is obliged to execute payments of his net liabilities in the mode of preliminary delivery of foreign currency being sold and/or payment for foreign currency being bought *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011).*

28. The Committee may prematurely transfer the currency market member from the preliminary mode into the mode of urgent delivery of foreign currency being sold and/or payment for foreign currency being bought in case of removal by that currency market member of facts which were the reason for his transfer into the mode of preliminary delivery of foreign currency being sold and/or payment for foreign currency being bought *(this item was changed by the Exchange Board of Directors decision of October 27, 2011).*

29. The Committee's decisions are formulated in minutes of its decisions (on results of absentee voting) in the form defined by the Committee on its own.

The Committee's minutes are signed by a representative of the Committee's Chairman or person exercising his authorities, and the Committee's secretary or Committee's meeting secretary.

30. On the working day following the day the Committee took a decision on transfer of the currency market member from one payment mode into another, the Exchange sends to that currency market member a letter notifying of such decision *(this item was changed by the Exchange Board of Directors decision of October 27, 2011).*

Chapter 4. PROCEDURE FOR EXECUTION OF DECISIONS

31. A decision of the Committee is obligatory for implementation by the respective structural unit of the Exchange and must be executed in time specified in that decision *(this item was changed by the Exchange Board of Directors decision of October 27, 2011).*
32. A decision of the Committee can be appealed by the currency market member at the Exchange Board of Directors within three working days after the day that Exchange member receives a copy of the said decision *(this item was changed by the Exchange Board of Directors decision of October 27, 2011).*
33. A request appealing a decision of the Committee is considered by the Exchange Board of Directors at its next meeting.

Chapter 5. RESPONSIBILITY OF COMMITTEE MEMBERS

34. Representatives of Committee members and persons authorized to stand in for those representatives in case of their absence are obliged to ensure confidentiality of information they receive due to fulfillment of authorities of Committee members, including information constituting a commercial, in-house or other legally protected secret, and carry responsibility for non-fulfillment of such obligation in accordance with the legislation of the Republic of Kazakhstan.
35. The following penalties may be applied to representatives of Committee members and persons authorized to stand in for those representatives in case of their absence for violation or undue fulfillment of rules set by this Regulation:
- 1) exclusion from representatives of Committee members or persons authorized to stand in for those representatives in case of their absence;
 - 2) other possible penalties in accordance with the legislation of the republic of Kazakhstan, the Charter and other internal documents of the Exchange.

**Chapter 6. PROCEDURE OF ELECTION OF THE COMMITTEE MEMBERS
THROUGH THE ABSENTEE VOTING**

36. The Committee members on behalf of the currency market members are elected through an absentee voting of all currency market members in the order set by this chapter.
37. The Exchange to elect the Committee members by the currency market members sends each currency market member a notice on implementation of an absentee voting to elect the Committee members by the currency market members.

The notice on implementation of an absentee voting is attached an absentee voting bulletin and materials to this voting.

At this the materials to an absentee voting must contain the information on candidates and persons that have the right to replace them according to item 9 of this Regulation.

The absentee voting bulletin must contain:

- 1) the Exchange executive body full name and location;
 - 2) the currency market member name, who will be sent the bulletin;
 - 3) the final date of bulletins submission for an absentee voting;
 - 4) the last name, first name and patronymic of candidates and persons entitled to replace them (if exist);
 - 5) options of voting on each candidate and persons entitled to replace them (if necessary) expressed by words "pro", "contra" and "abstained";
 - 6) explanation of the voting process (filling in bulletins).
38. The currency market members when electing the Committee members on behalf of the currency market members also elect persons, entitled to replace them in case of their absence.
 39. Each currency market member has the right to vote only for six candidates and persons, entitled to replace them in case of their absence.
 40. The absentee voting bulletin must be signed by an authorized representative of the currency market member and sealed by such of the currency market member stamp.
 41. The filled in and signed bulletin must be submitted to the Exchange by the currency market member within time, specified in the bulletin/notice by any rapid communication (fax, e-mail) with the following sending the bulletin to the specified address by mail or courier.
 42. The bulletin received by the Exchange upon expiry of period specified in the bulletin and/or without a signature of the currency market member representative and/or without a stamp of such currency market member and/or that contains corrections will not be considered when summarizing the absentee voting results.
 43. The Exchange summarizes voting results based on filled in and signed by the currency market member, and received by the Exchange bulletins within set time period.
 44. The quorum to make a decision through the absentee voting must make up not less than a half from the total number of the currency market members.

The decision made through the absentee voting is recognized made if case of availability of a quorum and is made by a simple majority of voting participants.
 45. The absentee voting results must contain the following:
 - 1) the Exchange executive body full name and location;
 - 2) the date of delivery of a notice on implementation of the absentee voting to elect the Committee members to act on behalf of the currency market members and the final date of bulletins delivery;
 - 3) the information on the currency market members, who participated in absentee voting;

- 4) the information on number of received bulletins and registered when calculating votes and summarizing absentee voting results;
 - 5) the results of voting of each currency market member on each candidate to the Committee member from the currency market members and replacing them persons (if available);
 - 6) decisions of the currency market members on election of the Committee members from the currency market members and persons, entitled to replace them in case of their absence;
 - 7) other information.
46. Results of the absentee voting must be submitted to the Exchange Board of Directors for further approval of the Committee members composition.
47. In case of no quorum the absentee voting is implemented repeatedly in the order set forth by this chapter.

(This chapter was included by the Exchange Board of Directors decision of October 27, 2011).

President

K. Damitov

Appendix 1

To Regulation on Committee
for Foreign Currencies
Market

S T A T E M E N T

**of non-disclosure of information constituting a commercial secret, and/or data
constituting an in-house and/or bank secret**

I, being a representative of the Committee for Foreign Currencies Market (hereinafter – the Committee) _____, undertake:

- 1) not to disclose information constituting a commercial secret, which I have been made familiar with, and/or which will be entrusted to me and/or will become known to me due to my occupying the position of a representative of the Committee's member;
- 2) not to disclose data constituting an in-house secret, which I have been made familiar with, and/or which will be entrusted to me and/or will become known to me due to my occupying the position of a representative of the Committee's member;
- 3) not to disclose data constituting a bank secret, which I have been made familiar with, and/or which will be entrusted to me and/or will become known to me due to my occupying the position of a representative of the Committee's member;
- 4) to use possession of information constituting a commercial secret, and/or data constituting an in-house and/or bank secret only in activities related to the fulfillment of responsibilities of a Committee member's representative;
- 5) in case of unauthorized persons' trying to obtain from myself information constituting a commercial secret, and/or data constituting an in-house and/or a bank secret, to promptly advise the Chairman of the Committee;
- 6) upon expiration of my authorities as a representative of a Committee member to meticulously comply with requirements of items 1–3 of this Statement.

I am aware that for disclosure of information constituting a commercial secret, and/or data constituting an in-house and/or a bank secret, and/or loss of documents containing such information and/or data, I will be brought to responsibility in accordance with the legislation of the Republic of Kazakhstan.

Signature of the representative of a member of the Committee for Foreign Currencies Market

Date of signature

Appendix 2

To Regulation on Committee
for Foreign Currencies
Market

REQUEST
for calling the Committee for Foreign Currencies Market

(on letter-head paper)

Committee for Foreign
Currencies Market

We kindly ask you to conduct a meeting of the Committee for Foreign Currencies Market regarding consideration of information on solvency of particular members of Kazakhstan Stock Exchange (hereinafter – the Exchange).

Solvency of one of the currency market members (full name of the currency market member) raises doubts for the following reason (tick one or several items) *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*:

- any overdue debt of the currency market member with regard to received interbank loans as of the most recent reporting date or his non-fulfillment of liabilities on other over-the-counter transactions *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*;
- non-fulfillment by the currency market member of his liabilities towards the Exchange, including those regarding the timely execution of payments and financial reporting *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*;
- violation by the currency market member of any of prudential regulations regarding liquidity and sufficiency of the net worth (k1, k2, k4, k4-1, k4-2, k4-3, k4-4, k4-5, k4-6), set by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*;
- any negative information witnessing of substantial worsening of the currency market member's financial position. If that information is not confidential, please, provide more detailed data *(this paragraph was changed by the Exchange Board of Directors decision of October 27, 2011)*:

We ask you to take a decision on transfer of the above-mentioned currency market member from one payment mode into another by way of (tick one item):

- voting in person;
- absentee voting.

Name of requesting institution

(full name of the requester in accordance with State certificate of registration (most recent state re-registration))

Representative of the requesting institution (position)

(surname, initials)

Appendix 3

To Regulation on Committee
for Foreign Currencies
Market

QUESTIONNAIRE
for a member of the Committee for Foreign Currencies Market

(name of the member of the Committee for Foreign Currencies Market)
(surname, name and patronymic of the person who filled in the questionnaire)
(position of the person who filled in the questionnaire)
(contact telephone number of the person who filled in the questionnaire)

	Yes	No
Does the solvency of any currency market member raise doubts due to which fact you recommend transferring that member from the urgent mode into the mode of preliminary delivery of foreign currency being sold and payment for foreign currency being bought? <i>(this line was changed by the Exchange Board of Directors decision of October 27, 2011)</i>	<input type="checkbox"/>	<input type="checkbox"/>
If yes, please, indicate his full name; and		
Respective reason (s) for the said decision:		
any overdue debt of the currency market member with regard to received interbank loans as of the most recent reporting date or his non-fulfillment of liabilities on other over-the-counter transactions		<input type="checkbox"/>
non-fulfillment by the currency market member of his/her liabilities towards the Exchange, including those regarding the timely execution of payments and financial reporting <i>(this line was changed by the Exchange Board of Directors decision of October 27, 2011)</i>		<input type="checkbox"/>
violation of any of prudential regulations regarding liquidity and sufficiency of the net worth (k1, k2, k4, k4-1, k4-2, k4-3, k4-4, k4-5, k4-6), set by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations;		<input type="checkbox"/>
any negative information witnessing of substantial worsening of the currency market member's financial position. Please, provide more detailed data <i>(this line was changed by the Exchange Board of Directors decision of October 27, 2011)</i> :		<input type="checkbox"/>

Signature of the representative of a member of the Committee for Foreign Currencies Market

