

KAZAKHSTAN STOCK EXCHANGE

Approved

by the decision of Kazakhstan Stock
Exchange Council Committee
on Currency Market

(protocol No. 6 of August 24, 1999)

NOTICE

Regulations have been translated into English by employees of Kazakhstan Stock Exchange for information purposes only. In case of any incompliance of this translation with the original version of Regulations in Russian, the Russian version shall always prevail.

REGULATIONS

on Responsibility for Violation of Settlement Terms on Results of Trades in Foreign Currency

Almaty

1999

LIST OF AMENDMENTS

1. Changes No. 1:

- approved by the decision of Kazakhstan Stock Exchange Council (protocol No. 2 of February 28, 2002);
- effective from May 2, 2002.

2. Changes No. 2:

- agreed on with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on March 19, 2004;
- approved by the decision of Kazakhstan Stock Exchange Council (protocol No. 6 of March 10, 2004);
- effective from March 23, 2004.

The concepts used herein shall mean the following:

"Exchange" – Kazakhstan Stock Exchange (*this paragraph was changed by the Exchange Council decision of January 15, 2004*);

"Guilty party" – the Exchange or the Exchange member that failed to pay, or made payment improperly;

"Correspondent account of the Exchange" – a bank account of the Exchange, used for crediting of forfeit sums in accordance herewith; for these purposes its details are provided to trade participants by the Exchange (*this paragraph was changed by the Exchange Council decision of March 10, 2004*);

"KISC" – the state institution Kazakhstan Inter-bank Settlement Center of the National Bank of the Republic of Kazakhstan;

"Non-fulfillment" – in accordance with the definition established in the internal document of the Exchange "Rules on Settlements Execution on Results of Trades in Foreign Currencies";

"Payment" – money payment in KZT or delivery of the financial instrument in discharge of the obligations arising from the deals concluded during the Exchange trades;

"Affected party" – the Exchange or the Exchange member the rights of which were violated by non-fulfillment or improper payment fulfillment

"Bank account of the Exchange" – a bank account of the Exchange, used for crediting of forfeit sums in accordance with these Regulations; for these purposes the details thereof are provided to trade participants by the Exchange (*this paragraph was changed by the Exchange Council decisions of February 28, 2002 and of March 10, 2004*);

"Settlements terms" – settlements terms on obligations arising from the deals concluded during the Exchange trades, determined by internal documents of the Exchange;

"Party" – the Exchange or its trade participant;

"Payment sum" – a payment money sum in KZT or financial instrument delivery volume, expressed in KZT according to the prices of the Exchange deals in fulfillment of which the delivery should be made;

"Trade participants, participants" – the Exchange members of category "B" admitted to participation in the Exchange trades in foreign currencies.

Chapter I. NORMS OF ASSIGNMENT AND FORMS OF RESPONSIBILITY

Article 1. Norms of Responsibility Assignment

1. A party is found guilty of violation of settlement terms and imposed responsibility for such violation on the ground of the decision of the Exchange Arbitration Commission.
2. The responsibility for violation of the settlement terms may be imposed on the party that did not execute payment.
For other persons action or inaction (including those possessing a trade participant status) that resulted in settlement terms violation the responsibility rests with the party that acted on behalf of such persons or executed payment through them.
3. A trade participant that has been found a guilty party is responsible for non-fulfillment of his payment or Exchange's payments in favor of other trade participants, not executed as a result of settlement terms violation by this trade participant depending on which of the two values is larger.
4. In case two or more parties are found guilty the responsibility is allocated between them proportionally to the volumes of payments not executed by them.

Article 2. Responsibility Form

5. The party is found guilty and pays a forfeit.
6. In case of material or repeated settlements terms violation a trade participant, besides being imposed an obligation on forfeit payment, may be disqualified from participation in trades by the Exchange Board decision or excluded from the Exchange members list by the Exchange Council decision.

Chapter II. FORFEIT CALCULATION AND PAYMENT

Article 3. Forfeit Calculation

7. The forfeit sum subject to collection is calculated by the Exchange Arbitration Commission on Currency Market.
8. A forfeit is calculated according to the formulae $S \times P \times D$, whereat:
S – default payment sum determined in compliance with item 3 of article 1 hereof;
P – 0.1 %;
D – a number of calendar days from the day of settlements terms violation (including this day) up to the day of violation elimination or deal termination.
9. A minimal forfeit sum is determined in the amount of thirty monthly calculated indices (*this item was changed by the Exchange Council decision of February 28, 2002*).
10. (*This item was excluded by the Exchange Council decision of February 28, 2002*).

Article 4. Forfeit Payment

11. A forfeit is paid within two working days from the day of passing of a corresponding decision by the Exchange Arbitration Commission on Currency Market, exclusive of the day of making a decision.
12. A forfeit is paid:
 - by trade participants – by way of a forfeit sum transfer to the correspondent account of the Exchange, in case a forfeit is collected in favor of other trade participants, or to the Exchange bank account, if the forfeit is collected in favor of the Exchange;
 - by the Exchange – by way of a forfeit sum transfer to a trade participant bank account¹.
13. Concurrently with a forfeit sum transfer the trade participant that was found guilty, should transfer to the Exchange current account the arbitration fee in the amount determined by the decision of the Exchange Arbitration Commission on Currency Market.
14. The forfeit sums received at the Exchange correspondent account that were collected in favor of trade participants are transferred to their bank accounts within two working days from the day of collection thereof.
15. The trade participant that has open commitments to the Exchange on forfeit and corresponding arbitration fee payment is not allowed to participate in the Exchange trades in all financial instruments till complete performance thereof.

¹ A trade participant account in the National Bank of the Republic of Kazakhstan, a bank or a non-banking financial institution, used for crediting of KZT arriving from the Exchange in return for its obligations to this trade participant and the duly formalized details of which were presented to the Exchange.

Article 5. Limit of a Forfeit Payable by the Exchange

16. The sum of a forfeit payable by the Exchange is limited by the commission fees sum, received from the Exchange foreign currency deals payment of which was not executed by the Exchange in the period from the settlements terms violation day till the forfeit payment day.

Chapter III. FORCE-MAJEURE

Article 6. Force-Majeure Concept

17. The following circumstances are considered as force-majeure:
- a) fire, earthquakes and other natural disasters, war, military actions, terrorist acts, civil commotions, strikes, lock-outs, embargo, bans and restrictions imposed by the state bodies;
 - б) KISC programming and technical equipment failure.
18. The document that confirms the force-majeure specified in item 17(a) of this Article and the duration of action thereof is the certificate issued by the Chamber of Commerce and Industry of the Republic of Kazakhstan or by the other competent body (organization) of a correspondent state;
19. The document that confirms the force-majeure specified in item 17(b) of this Article and the duration of action thereof is the certificate signed by the CEO of KISC or by the person acting in his capacity and certified by KISC seal.
20. The certificate should be presented to the Exchange within 7 calendar days from the moment of coming of the force-majeure specified in item 17(b).

Article 7. Consequences of Force-Majeure

21. The parties are released from the responsibility for settlements terms violation in case such violation was caused by force-majeure that took place after the Exchange trading, and such violations could not be foreseen or averted by the parties.
22. The party for which the payment execution impossibility occurred due to force-majeure should immediately inform the beneficiaries on these payments on coming of such circumstance, estimated time of its action and its discontinuation.
23. On coming of force-majeure the settlements terms are to be rescheduled in proportion to the term of action of such circumstances.

President

D. Karasaev