

KAZAKHSTAN STOCK EXCHANGE

A p p r o v e d

by resolution No. 462 of the Directorate
of the National Securities Commission
of the Republic of Kazakhstan

of October 26, 1999

A c c e p t e d

by the decision of the meeting
of members of Kazakhstan Stock
Exchange of categories "K", "P", "H"

(protocol No. 7 of October 14, 1999)

E f f e c t i v e

from November 1, 1999

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to Rules of Market-
Makers Activities

N O T I C E

The Specification has 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 the Specification in Russian, the Russian version shall always prevail.

S P E C I F I C A T I O N

on Market-Maker Status for Exchange Members of Categories "P" and "H"

Almaty

1999

LIST OF AMENDMENTS

Refer to the list of amendments to Rules of Market-Makers Activities.

Article 1. Categories of Market-Makers

1. The status of corporate serial securities market-maker is assigned to the Exchange member in respect of each security on an individual basis.
2. Depending on requirements, responsibilities and rights, applied to corporate serial securities market-makers, the Exchange may assign two categories of corporate serial securities market-makers, hereinafter in the Specification referred to as specialist and market-maker correspondingly.
3. One or several market-makers and one or several specialists may be registered in respect of one security (*this item was changed by resolution No. 765 of the Directorate of the National Securities Commission of the Republic of Kazakhstan of January 27, 2001*).
4. From the moment of the specialist status activation on a certain security the market-makers on the security are automatically deprived of the commission fee payment privileges, set in compliance with item 18 of article 7 hereof and are automatically granted these privileges after the last of the specialists loses his status in respect of these securities (*this item was changed by resolution No. 765 of the Directorate of the National Securities Commission of the Republic of Kazakhstan of January 27, 2001 and the Exchange Council decision of October 10, 2003*).
5. Subject to the Exchange Council decision the specialist status in certain securities may not be assigned to any of the Exchange members.

Article 2. Requirements to Specialist and Market-Maker

6. The Exchange member, pretending to assignment of the specialist status on a certain security, must comply with the following requirements:
 - 6.1. To possess at least 50,000 monthly calculated indices own capital, unless other value is specified in respect of the security by the Exchange Council decision.
 - 6.2. To have a license for carrying out brokerage and dealer activities in the securities market (*this sub-item was changed by the decisions of the Exchange members meeting of November 13, 2001 and the Exchange Council of December 2, 2005*).
7. The Exchange member, pretending to assignment of the market-maker status on a certain security, must possess at least 30,000 monthly calculated indices own capital, unless other value is specified in respect of this security by the Exchange Council decision.
8. For gaining specialist or market-maker status on certain securities additional requirements may be set by the Exchange Council.

Article 3. Specialist and Market-Maker Duties

9. The specialist on the securities, on which he exercises the functions thereof, must:
 - during the whole trading day maintain in the trading system at least one firm quotation for purchase and one firm quotation for sale (hereinafter referred to as the mandatory quotations);
 - in respect of the mandatory quotations maintain the minimum volume, set for the specialist, available to conclusion of the deal at any moment of the trading day;
 - maintain the spread between the best mandatory quotations: on bonds (by the difference in absolute terms between the values of yield to maturity, computed in compliance with the bonds yield, quotations for purchase and sale calculation methodology applied at the Exchange) – in

the amount, not exceeding one percent point, on shares – in the amount, not exceeding three percent of the purchase quotation on these shares. The Exchange Council may set other spread value in respect of certain securities (*this paragraph was changed by the decisions of the Exchange members meeting of September 23, 2002 and the Exchange Council of April 14, 2005*).

10. Market-maker on the securities, on which he exercises the functions thereof, must:
 - during the whole trading day maintain mandatory quotations in the Exchange trading system;
 - maintain the minimum mandatory quotations volume, set for the market-maker, available to conclusion of the deal at any moment of the trading day;
 - maintain the spread between the best mandatory quotations: on bonds (by the difference in absolute terms between the values of yield to maturity, computed in compliance with the bonds yield, quotations for purchase and sale calculation methodology applied at the Exchange) – in the amount, not exceeding two percentage points, on shares – in the amount, not exceeding ten percentage points of the purchase quotation on these shares. The Exchange Council may set other spread value in respect of certain securities (*this paragraph was changed by the decisions of the Exchange members meeting of September 23, 2002 and the Exchange Council of April 14, 2005, January 26, and November 29, 2007*).

Article 4. Minimum Mandatory Quotation Volume

11. The minimum mandatory quotation volume for specialists and market-makers on every security is set by the Exchange Board, on the assumption that the mandatory quotation minimum volume must be divisible by 10 or 100 or 1,000 or 10.000 securities depending on the prices scale for this security.
12. The minimum mandatory quotation volume for specialists is set in the amount equivalent to 10,000 monthly calculated indices, unless other value is specified in respect of this security by the Exchange Council decision.
13. The minimum mandatory quotation volume for market-makers is set on bonds – in the amount, equivalent to 2,000, and on shares – equivalent to 3,000 monthly calculated indices, unless other value is set in respect of this security by the Exchange Council decision (*this item was changed by the decisions of the Exchange members meeting of September 23, 2002 and the Exchange Council of January 26, 2007*).

Article 5. Specialist and Market-Maker Rights

14. The specialist of the securities, on which he exercises the functions thereof may:
 - change the prices of the quotations declared prior under the conditions of compliance with the spread set by this specification, and also with account to the restrictions, specified in article 6 hereof.
 - refuse to display a mandatory quotation for purchase, if the volume of the securities purchased net of that sold during the trading day exceeds the minimum mandatory quotation volume set by ten times (unless other value is specified in respect of the security by the Exchange Council decision);
 - refuse to display a mandatory quotation for sale, if the volume of the securities sold net of that purchased during the trading day exceeds the minimum mandatory quotation volume set by ten times (unless other

value is specified in respect of the security by the Exchange Council decision).

15. Market-maker on the securities, on which he exercises the functions thereof may:
- change prices of the mandatory quotations declared prior;
 - refuse to display a mandatory quotation for purchase, if the volume of the securities purchased net of that sold during the trading day exceeds the minimum mandatory quotation volume set by two times (unless other value is specified in respect of this security by the Exchange Council decision);
 - refuse to display a mandatory quotation for sale, if the volume of the securities sold net of that purchased during the trading day exceeds the minimum mandatory quotation volume set by two times (unless other value is specified in respect of this security by the Exchange Council decision).

Article 6. Restriction of Specialist Rights

16. A specialist may not change prices in mandatory quotations (display new mandatory quotations with subsequent removal of the submitted prior) reducing the price (submit a new mandatory quotation with the price less profitable for a potential counteragent) by the value: on bonds (by the difference in absolute terms between the values of yield to maturity, calculated in compliance with bonds yield, new mandatory quotation and bonds last deal price calculation methodology applied at the Exchange) – exceeding half percent point, on shares – exceeding one percent of the last deal price on these shares. The Exchange Council may set other value in respect of this security, specifying the specialist mandatory quotation price reduction limit (*this item was changed by the Exchange members meeting decision of September 23, 2002*).
17. A specialist may not remove the mandatory quotation, leading to decrease of the price on his mandatory quotations, until; deals in the minimum mandatory quotation volume are concluded on the best mandatory quotation of the specialist. This restriction does not cover the mandatory quotation set initially on this trading day.

Article 7. Preferences and Stimulation for Specialists and Market-Makers

18. The Exchange member, enjoying a specialist or market-maker status on securities, pays a preference rate commission fee on the purchase and sale deals in securities concluded thereby: specialist – 25%, market-maker – 50% of the commission fee rate set in respect of such deals (except as provided in item 19 of this article).
19. The preference, set by item 18 of this article does not cover:
- 1) deals with state owned shareholding of the organizations privatized;
 - 2) deals, relating to repo operations in securities;
 - 3) the purchase and sale deals in securities, concluded by nego deals conclusion method.
- 19–1. The Exchange pays the Exchange member, enjoying a status of specialist in the securities and having concluded a purchase and sale deal in these securities, a stimulation in the form of half of the commission fee, accrued on this deal to its other party (except as provided in item 19–2 of this article, and with account to specified in item 19–3 of this article).
- 19–2. The stimulation, set by item 19–1 of this article is not paid:

- 1) on conclusion of deals with state owned shareholding of the privatized organizations;
- 2) on conclusion of deals, relating to repo operations in securities;
- 3) on conclusion of purchase and sale deals in securities by open deals conclusion method;
- 4) in case, the same specialist on the securities acts as both purchaser and seller in the purchase and sale deal in the securities;
- 5) in case, the purchase and sale deal in securities is concluded between the two specialists on these securities;
- 6) in case, the second party of the purchase and sale deal in securities is the Exchange member, paying commission fees on the deals in corporate serial securities by "fixed" method.

19–3. In case the Exchange member exercised functions of the specialist on securities less than 180 days (due to his refusal of specialist status or his involuntary specialist status deprivation, except for the case, when he was deprived of the specialist status due to changes in the legislation of the Republic of Kazakhstan or internal documents of the Exchange, which made impossible further operation of this Exchange member in the status of the specialist on these securities), he must pay the Exchange the full sum of stimulation, paid to him in compliance with item 19–1 of this article. The term indicated includes the period, during which this Exchange member was released from discharging of duties of the specialist on these securities in compliance with article 8 hereof.

(This article was changed by the Exchange Council decision of October 10, 2003; item 18 of this article was changed by resolution No. 765 of the Directorate of the National Securities Commission of the Republic of Kazakhstan of January 27, 2001).

Article 8. Specialist and Market-Maker Duties Release

20. In case of coming of the circumstances, as a result of which specialists and market-makers may incur substantial financial losses due to discharging their duties, the Exchange may temporarily release them from discharging duties.
21. The decision on temporary release of specialists and market-makers from discharging their duties before the call of the Exchange Council is made by the Exchange Board.

(This article was included by resolution No. 765 of the Directorate of the National Securities Commission of the Republic of Kazakhstan of January 27, 2001).

President

D. Karasaev