

KAZAKHSTAN STOCK EXCHANGE

A p p r o v e d

by decision No. 341 of Kazakhstan
Stock Exchange Board

on December 1, 2009

E f f e c t i v e

from December 14, 2009

N O T I C E

The Methodology 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 Methodology in Russian, the Russian version shall always prevail.

M E T H O D O L O G Y

of Securities Liquidity Indicators Defining

Almaty

2009

LIST OF AMENDMENTS

1. Changes and Additions No. 1:

- approved by Kazakhstan Stock Exchange Management Board (meeting minutes No. 20 of March 15, 2011);
- effective from March 15, 2011.

2. Changes No 2:

- approved by Kazakhstan Stock Exchange Management Board (meeting minutes No. 230 of December 21, 2011);
- effective from January 23, 2012, excluding the Risk Committee name that is effective from February 1, 2012.

This Methodology defines the order of any denomination securities indicators values calculation out of one securities type¹, listed in Kazakhstan Stock Exchange (hereinafter – the Exchange) official list, to determine this denomination securities liquidity degree against all the same securities type, selected for comparison and defines the order of forming of any securities liquid and illiquid securities list (*this paragraph was changed by the Exchange Management Board decision of March 15, 2011*).

Chapter 1. GENERAL PROVISIONS

1. Used in this Methodology concepts are defined by other Exchange internal documents.
2. Any denomination security liquidity degree is characterized by the K_l liquidity indicator calculated for the security of this denomination in compliance with chapter 2 of this Methodology.
3. When calculating any security liquidity indicator:
 - 1) deal, falling to repo transactions are not considered;
 - 2) deals, made within specialized trades are not considered;
 - 3) only satisfied deals, made by open trades methods are considered.
4. In order to ensure the adequacy of liquidity indicators value to the traded unbiased level of any securities, the Exchange Risk Committee is entitled to exclude from calculation a deal liquidity indicator, which in its judgment are of mom-market character (e.g., deals, at conclusion of which were made technical errors, deals, prices of which discord with the market status and/or market dynamics of respective securities prices).

In order to exclude the influence of big one-time deals on any security liquidity indicator the Exchange is entitled to exclude at this indicator calculation deals, volume of which exceeds the V_{lim} value, calculated by the formula:

$$V_{lim} = \bar{V} + 3\delta, \text{ where}$$

- \bar{V} – arithmetical mean of all deals volume, made in securities of one type (considering specifics, set forth by item 3 of this Methodology) within the period, for which the liquidity indicator is calculated;
- δ – roof-mean-square deviation of any deal volume out of deals, made in securities of one type (considering specifics, set forth by item 3 of this Methodology) within the period, for which the liquidity indicator is calculated, from the arithmetical mean of these deals volume.

Chapter 2. CALCULATION OF LIQUIDITY INDICATOR VALUES

5. Any security liquidity indicator value for any period of time (hereinafter – the analyzed period) is calculated by the formula:

$$K_l = 0,5K_v + K_q + K_p + 0,7K_d, \text{ where:}$$

- K_v – deals volume indicator, calculated for the security of this denomination in compliance with item 6 of this Methodology;
- K_q – deals number indicator, calculated for the security of this denomination in compliance with item 7 of this Methodology;
- K_p – Exchange Council members number indicator, who participated in deals conclusion in securities of any denomination, calculated for the security of this denomination in compliance with item 8 of this Methodology;
- K_d – effective days number indicator, calculated for the security of this denomination in compliance with item 9 of this Methodology.
6. The indicator of deals volume in the security of any denomination for the analyzed period is calculated by formula:

¹ For example, shares, corporate bonds, government securities.

$$K_v = \frac{V}{V_{\max}}, \text{ where:}$$

- V – deals volume in the security of this denomination, made within the analyzed period;
- V_{\max} – maximum deals volume, made within the analyzed period in the security of any denomination of the same type out of securities, listed on the Exchange.

7. The indicator of deals number in the security of any denomination for the analyzed period is calculated by formula:

$$K_q = \frac{Q}{Q_{\max}}, \text{ where:}$$

- Q – number of deals in the security of this denomination, made within the analyzed period;
- Q_{\max} – maximum number of deals, made within the analyzed period in the security of any denomination of the same type out of securities, listed on the Exchange.

8. The indicator of Exchange members, who participated in deals conclusion in securities of any denomination within the analyzed period, is calculated by formula:

$$K_p = \frac{P}{P_{\max}}, \text{ where:}$$

- P – number of Exchange members, who participated in deals conclusion in securities of this denomination within the analyzed period;
- P_{\max} – maximum number of Exchange members, who participated in deals conclusion in securities of any denomination of the same type out of securities, listed on the Exchange, within the analyzed period.

9. The indicator of effective days number for the security of any denomination is calculated by formula:

$$K_d = \frac{D}{D_{\max}}, \text{ where:}$$

- D – number of days, when were made deals in the security of this denomination within the analyzed period;
- D_{\max} – maximum number of days, when were made deals in the security of any denomination of the same type out of securities, listed on the Exchange, within the analyzed period.

Chapter 3. DEVELOPMENT OF SECURITIES LISTS RANKED BY THEIR LIQUIDITY DEGREE

(This chapter headline was changed by the Exchange Management Board decision of December 21, 2011).

10. In the general case the list of securities ranked by their liquidity is developed as follows *(this paragraph was changed by the Exchange Management Board decision of December 21, 2011)*:

- 1) the list of securities denomination is defined to compare the degree of liquidity and the period, for which this comparison will be implemented;
- 2) the liquidity indicator value is calculated for security of each denomination out of the list developed in compliance with sub-item 1) of this item;
- 3) when developing the resultant list of denominations securities are sorted out in the descending order of their liquidity indicators value, at this the resultant list may contain all denominations of securities out of the list defined in compliance with sub-item 1) of this item or its certain part, defined in compliance with sub-item 1) of this item or its certain part characterized by one common feature (e.g., the resultant list may be developed out of securities of ten denominations that have the highest indicator of liquidity – Top-10).

(This item was changed by the Exchange Management Board decision of March 15, 2011).

11. For the Exchange internal purposes, including defining trades schedule on securities of any denominations, the order of using of various trades methods, purposes of securities valuation, and setting requirements for market makers, the Exchange develops the following lists of securities:

- the first class liquidity securities;
- the second class liquidity securities;
- the third class liquidity securities.

The mentioned lists of securities shall be developed according to items 12–15 of this Methodology by the Exchange Department for Information and Analysis and are subject for approval by the Committee on Indices and Securities Valuation not later than the Date of its development. The date of development is the twenty third date of each odd month, if this date is not a day off or holiday in the Republic of Kazakhstan. The developed lists shall be given effect from the first date of a month following the month they were developed and will stay effective during two calendar months (considering the specifics set by item 15 of this chapter).

(This item was changed by the Exchange Management Board decisions of March 15, 2011 and December 21, 2011).

12. The lists specified in item 11 of this chapter are developed out of securities denominations, trades in which opened on the Exchange not later than 60 calendar days, preceding the Date of development (considering the specifics set by items 14 and 15 of this Methodology) *(this item was changed by the Exchange Management Board decisions of March 15, 2011 and December 21, 2011)*

13. For securities lists development specified in item 11 of this chapter, the Exchange calculates the K_l liquidity indicator values for that type of securities of each denomination according to chapter 2 of this Methodology. The calculation is implemented based on parameters of deals made in selected securities in the Exchange trading system during 60 calendar days, preceding the date of development. At this the Date of development is not included to the mentioned 60 days *(this paragraph was changed by the Exchange Management Board decision of December 21, 2011)*.

Calculated values of liquidity indicator are rounded up to the third decimal according to mathematical rounding rules – figures below five are dropped to zero, figures up to five and over are increased to ten.

The securities, liquidity values of which equal or over 0.700, are included to the first class liquidity securities, securities, liquidity values of which are above 0 and less than 0.700, are included to the second class liquidity securities, securities, liquidity values of which equal 0, are included to the third class liquidity securities (considering the specifics set by item 15 of this Methodology) *(this paragraph was changed by the Exchange Management Board decision of December 21, 2011)*.

(This item was changed by the Exchange Management Board decisions of March 15, 2011).

14. When including as security of any denomination to the Exchange list, it is automatically included to the third class liquidity security and remains in the list upon expiry of at least 60 calendar days from the date of trades opening in security of this denomination (considering the specifics set by item 15 of this Methodology). Later the security of this denomination will be included to the securities list of any class of liquidity on a regular basis according to items 12 and 13 of this chapter *(this item was changed by the Exchange Management Board decisions of March 15, 2011 and December 21, 2011)*.

15. In certain cases a security of any denomination can be included to the list of securities of first or second liquidity type based on decision of the Committee on Indices and Securities Valuation regardless of its calculated K_l liquidity indicator value provided that there are reliable facts allowing considering the security of this denomination liquid or potentially liquid (e.g., it was actively traded or offered on foreign markets) and/or compliant with the first or second class of liquidity. Such decision of the Committee on Indices and Securities Valuation can be made during the next in turn development of lists, specified in item 11 of this chapter, and on any other day.

In certain cases a security of any denomination, on which the K_i liquidity indicator value is above zero, may be included by the decision of the Committee on Indices and Securities Valuation to the list of securities of third class of liquidity. This decision can be made by the Committee on Indices and Securities Valuation during approval of lists of securities of first, second and third liquidity class in case of unbiased facts that prove imaginary liquidity of the mentioned security and incorrect indication of its liquidity by the K_i indicator value.

(This item was changed by the Exchange Management Board decisions of March 15, 2011 and December 21, 2011).

16. *(This item is removed by the Exchange Management Board decisions of March 15, 2011).*

President

K. Damitov