KAZAKHSTAN STOCK EXCHANGE

A g r e e d o n

with the Committee on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan

on March 6, 2013

Chairman of the Committee on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan

K. KOZHAKHMETOV

A p p r o v e d

by decision of Kazakhstan Stock Exchange Board of Directors

(meeting minutes # 02 of January 31, 2013)

Effective

from March 15, 2013

N O T I C E

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

RULES

of Exchange Trading in Derivative Financial Instruments

Almaty

2013

LIST OF AMENDMENTS

1. **Change No. 1:**
   - agreed upon with the National Bank of Republic of Kazakhstan on April 24, 2014;
   - approved by a decision of the Exchange Council of Kazakhstan Stock Exchange JSC (minutes No. 14 of meeting on March 28, 2014);
   - effective as of May 6, 2014.
2. **Changes and addition No. 2:**
   - approved by a decision of the Board of Directors of Kazakhstan Stock Exchange JSC (minutes No. 11 of meeting on March 28, 2016);
   - effective as of March 29, 2016.

These Rules have been developed in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Exchange and they define terms and conditions as well as the procedure of conclusion of transactions in derivative financial instruments traded on JSC "Kazakhstan Stock Exchange" (hereinafter – the Exchange).

Chapter 1. GENERAL PROVISIONS

Article 1. Terms used

1. For purposes of these Rules currency swaps are not considered as derivative financial instruments. Currency swap transactions are carried out in accordance with the Exchange's internal document "Rules of Foreign Currencies Exchange Trading"[1].

2. Terms used in these Rules mean the following:

   1) *(this sub-item was removed following a decision of the Exchange's Board of Directors of March 28, 2016)*;

   2) *(this sub-item was removed following a decision of the Exchange's Board of Directors of March 28, 2016)*;

   3) **derivatives market** – sector of the financial market consisting of derivative financial instruments admitted to circulation (trading) on the Exchange;

   4) **derivative financial instrument specification** – the Exchange's internal document determining terms and parameters of a derivative financial instrument;

   5) **trader** – a physical person authorized by an Exchange member to conclude deals and perform other actions using the Exchange's trading system *(this sub-item was changed following a decision of the Exchange Council of March 28, 2014)*;

   6) **Exchange member** – a member of the Exchange by category "derivatives" *(this sub-item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

2. Other terms used in these Rules are identical to terms determined by the legislation of the Republic of Kazakhstan and other internal documents of the Exchange.

Article 2. General Rules of Conclusion of Exchange Deals in Derivative Financial Instruments

1. A derivative financial instrument used as a subject of exchange trading has standardized terms and conditions.

2. Two sectors of derivative instruments are operating in the Exchange's trading system:

   1) sector of so called currency derivative financial instruments comprising those types of derivative financial instruments whose underlying asset is the national currency and/or foreign currencies;

   2) sector of so called stock derivative financial instruments, comprising those types of derivative financial instruments, whose underlying asset is shares, bonds, or stock exchange indices.

[1] Approved by decision of the Exchange's Board of Directors (meeting minutes No. 11 of November 1, 1996).

3. Conclusion of an exchange deal in derivative financial instruments means the purchase by parties therein of rights and/or liabilities on derivative financial instruments in accordance with their specification and the Exchange's internal document "Rules for Conducting of Clearing of Deals in Financial Instruments"[2].

4. Submitting by an Exchange member of a derivative financial instrument purchase/sale order during exchange trading means that Exchange member's unconditional assent to conclusion of an exchange deal in the derivative financial instrument under the terms specified in the order or under terms not worse than those specified in the order to the full or partial amount indicated in the order.

5. Information on orders for purchase/sale of derivative financial instruments submitted by an Exchange member, as well as information on deals concluded in derivative financial instruments of that Exchange member relates to the category of confidential information and cannot be disclosed and/or passed on to third parties without permission from that Exchange member.

   The procedure for provision of information including the one considered confidential to government bodies is determined by the legislation of the Republic of Kazakhstan.

Chapter 2. ADMITTANCE TO EXCHANGE TRADING

Article 3. Derivative Financial Instruments

1. Standard terms and parameters of derivative financial instruments used as a subject of exchange trading are defined in their specifications approved by the Exchange's Management Board.

2. Opening of trading in derivative financial instruments of a particular series is carried out following a decision of the Exchange's Management Board *(this item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

3. A decision on opening of trading in derivative financial instruments of a particular series shall be communicated to Exchange members not later than five working days before the trading in those derivative financial instrument begins *(this item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

4. The Exchange notifies Exchange members of the specification of a particular derivative financial instrument, as well as of amendments and additions to the specification of the derivative financial instrument coming into effect not later than ten working days before their effective date, if not otherwise specified by a decision of the Exchange's Management Board.

5. If not otherwise specified by a decision of the Exchange's Management Board, the date of cessation of trading in derivative financial instruments of a particular series is set based on the respective specification.

   If not otherwise specified by a decision of the Exchange's Management Board of an early cessation of trading in derivative financial instruments of a particular series, the Exchange shall notify Exchange members on such cessation not later than ten working days before the cessation date of that trading.

(This item was changed following a decision of the Exchange's Board of Directors of March 28, 2016).

[2] Approved by a decision of the Exchange's Board of Directors (meeting minutes No. 7 of April 8, 2015) *(this footnote was changed following a decision of the Exchange's Board of Directors of March 28, 2016).*

Article 4. Exchange Members

1. Members of the Exchange are entitled to participate in the exchange-based trading in derivative financial instruments *(this item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

2. The procedure for admittance to Exchange membership and terms of membership to the Exchange's derivatives market are governed by the Exchange's internal documents.

3. A member of the Exchange can be admitted to the exchange-based trading in derivative financial instruments, provided he obtained the status of a clearing participant in the derivatives market in accordance with the Exchange's internal document "Regulations on clearing participants"[3] *(this item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

   For admission to exchange trading in derivative financial instruments which are part of the sector of currency derivative financial instruments, Exchange members are required to obtain the status of a clearing participant in the derivatives market.

4. Exchange members may execute transactions in derivative financial instruments in their own name, as well as on behalf and at the expense of their clients.

   For purposes of concluding transactions on behalf of its client an Exchange member must provide to the Exchange the application for registration of its client according to Appendix 1 hereof.

5. Relationships between Exchange members and their clients involved in transactions in derivative financial instruments are governed by commission agreements concluded between them.

6. Based on the application for registration of its client submitted by the Exchange member the Exchange in accordance with its internal documents assigns to that client a trade account code for purposes of registration of transactions in derivative financial instruments made on behalf of such client.

7. In order to annul the registration of its client an Exchange member must submit to the Exchange a free-format application for annulling of its registration indicating the trade code assigned to that client.

   The annulling of the client's registration on the Exchange is made only in case of a full closure of positions open in its name earlier.

Article 5. Traders

1. On behalf of members of the Exchange, individuals authorized by them – traders – participate in the exchange-based trading in derivative financial instruments *(this item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

2. Terms of traders' admittance to trading are defined by the Exchange's internal documents.

3. Any actions taken by a trader when making transactions in derivative financial instruments in the course of exchange trading are compared to actions of the Exchange member he represents.

4. At discovery of breach by a trader of terms set by these Rules, the Exchange may ban such trader from participation in the exchange-based trading in

[3] Approved by a decision of the Exchange's Board of Directors (meeting minutes No. 7 of April 8, 2015) *(this footnote was included following a decision of the Exchange's Board of Directors of March 28, 2016)*.

derivative financial instruments *(this paragraph was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

The duration and conditions of such a ban are determined by the Exchange's Management Board.

A decision of the Exchange's Management Board to ban a trader from participation in the exchange-based trading in derivative financial instruments can be appealed by the member of the Exchange's Board of Directors he represents *(this paragraph was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

Appealing the ban decision does not suspend its effect.

Article 6. Other Persons Allowed to Attend Trading

1. Apart from traders and employees of the Exchange maintaining the exchange-based trading in derivative financial instruments, as well as members of the Exchange's Management Board, other persons may attend the exchange-based trading as observers only and only with permission from the Chairman of the Exchange's Management Board or deputy Chairman of the Exchange's Management Board supervising the trading in derivative financial instruments *(this item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.
2. No person attending the exchange-based trading may discuss, make announcements or comments, nor may he take other actions not related to that trading.
3. Persons other than traders who attend the exchange-based trading are prohibited from carrying out any transactions in derivative financial instruments.
4. Persons attending the exchange-based trading as observers are prohibited from interfering in its process, whether directly or indirectly.

Article 3. PROCEDURE OF CONDUCTING OF EXCHANGE-BASED TRADING IN DERIVATIVE FINANCIAL INSTRUMENTS

(This heading was changed by a decision of the Exchange's Board of Directors of March 28, 2016).

Article 7. The Schedule of Exchange-based Trading in Derivative Financial Instruments

(This heading was changed by a decision of the Exchange's Board of Directors of March 28, 2016).

1. The schedule of trading (place and time of trading and other main parameters of its conducting) are defined by the Exchange's internal documents or a decision of the Exchange's Management Board.
2. The Exchange shall notify Exchange members of the change of place and time of trading defined by the Exchange's Management Board not later than 18 hours before its commencement.

   The rule set forth in the first paragraph of this item does not apply to cases of an urgent change in the schedule of exchange trading by the Chairman of the Exchange's Management Board or deputy Chairman of the Exchange's Management Board of the Exchange, if it deems impossible to execute the trading in normal mode *(this paragraph was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

Article 8. Method of Conducting the Exchange-Based Trading in Derivative Financial Instruments

(This heading was changed by a decision of the Exchange's Board of Directors of March 28, 2016).

1. The main method of conducting the exchange-based trading in derivative financial instruments is the method of a continuous counter auction *(this item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.
2. The theoretical price[4] calculated based on data of the preceding exchange trading day is used as the exchange-based trading's opening price for a series of derivative financial instruments *(this item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.
3. Ai impossibility to conduct the exchange-based trading in derivative financial instruments using the main method, the Exchange's Management Board shall decide on using other methods *(this item was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.
4. The procedure for conducting exchange trading using one method or another is described in the Exchange's internal documents.

Article 9. Control of Compliance with Limits

1. On the derivatives market the Exchange sets the price change limit and the limit on opening positions; the procedure for their fixing is established in accordance with internal documents of the Exchange.
2. The upper change limit for the price of a derivative financial instrument is equal to the sum of the calculated price of that derivative financial instrument and the price change limit set for it.
3. The lower change limit for the price of a derivative financial instrument is equal to the difference of the calculated price of that derivative financial instrument and the price change limit set for it.
4. If the price announced in the order goes beyond the frontiers of the lower or upper change limit for the price of a derivative financial instrument, such order will be automatically rejected by the Exchange's trading system.
5. In case of non-compliance of an order filed with the price change limit or the opening positions limit, the Exchange's trading system automatically rejects such order.

Article 10. Suspension of the Exchange-based Trading in Derivative Financial Instruments and Change of Relevant Risk-Parameters

(This heading was changed by a decision of the Exchange's Board of Directors of March 28, 2016).

1. The Exchange shall suspend the trading in derivative financial instruments of a particular series at occurrence of a combination of the following factors:
   1) the price of an order reaches 95 % of the limit of change of the price of derivative financial instruments of that series;
   2) the said order has been in the Exchange's trading system 30 minutes since its receipt;

[4] Determined using the methodology indicated in the relevant specification *(numbering of this footnote was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

2) the volume of open positions on that series of derivative financial instruments makes up at least 50 % of the total of open positions on all series with the same type of underlying asset.

2. Suspension of trading in derivative financial instruments according to item 1 of this article is carried out by the exchange trading system automatically.

3. The Exchange may suspend the trading in all derivative financial instruments in the following cases:

   1) insolvency of one or more members of the Exchange posing a substantial threat to the derivatives market's operation;

   2) absence of trading in derivative financial instruments during thirty consecutive trading days;

   3) at a technical failure of the Exchange's trading system.

4. Suspension of trading in derivative financial instruments at occurrence of any of the cases stipulated in item 3 of this article, can be carried out only following a decision of the Exchange's Management Board.

   A decision of the Exchange's Management Board on suspension of trading in derivative financial instruments must contain data on reasons and term of such suspension.

5. In case of suspension of trading in derivative financial instruments of any particular series, all orders for purchase or selling of derivative financial instruments of that series are automatically annulled by the Exchange's trading system.

(This article was changed by a decision of the Exchange's Board of Directors of March 28, 2016).

Chapter 4. FINAL PROVISIONS

Article 11. Market-makers

Terms and conditions and procedure of assigning or withdrawing the status of a market-maker on the derivatives market, as well the rules for his operations are established by the Exchange’s internal documents.

Article 12. Commission Fees

1. Exchange members pay to the Exchange commission fees on deals concluded in derivative financial instruments.

2. Amounts, procedure for calculation and payment of the Exchange’s commission fees are determined by its internal documents.

3. Relations between derivatives market members and their clients regarding payment of commission fees charged by the Exchange are governed by separate agreements concluded between them.

Article 13. Disputes and Disagreements

Disputes and disagreements emerging between members of the Exchange and the Exchange, as well as between members of the Exchange with regard to the exchange-based trading in derivative financial instruments are subject to settlement by the Commission on Settlement of Disputes and Disagreements or by way of negotiations *(this paragraph was changed following a decision of the Exchange's Board of Directors of March 28, 2016)*.

Appendix 1

to Rules of Exchange Trading in Derivative Financial Instruments

A P P L I C A T I O N

for registration of the Exchange member's client

(on the company letterhead)

We ask you to register our client to whom we render trade and settlement services (based on the Commission agreement dated _____ (indicate the Agreement date and number assigned)) and whose details are as follows:

Client status:	Legal person ☐	Physical person ☐
Legal form of the legal person	Joint-stock company ☐	Limited liability partnership ☐
Type of activities for the legal person	Banking ☐	Insurance ☐
	Pension asset management ☐	Brokerage ☐
	Production ☐	Other ☐
Residence status	Resident ☐	Non-resident ☐

Exchange member's name (full name of the applicant according to the State registration (last sate re-registration) certificate)

Representative of the Exchange member (position) (surname, initials)