

KAZAKHSTAN STOCK EXCHANGE

Approved

by decision No. 137/0 of Kazakhstan
Stock Exchange Board
of December 24, 2002

Effective

from December 24, 2002

NOTICE

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.

SPECIFICATION

of Automatic Repo Market

Almaty
2002

LIST OF AMENDMENTS

1. Change No. 1:

- approved by decision No.69/0 of Kazakhstan Stock Exchange Board of June 10, 2003;
- effective from June 10, 2003.

2. Additions No. 2:

- approved by decision No. 17/2 of Kazakhstan Stock Exchange Board of February 07, 2005;
- effective from January 28, 2005 and will remain in force until January 26, 2010 (inclusive).

4. Change No. 3:

- approved by decision No. 171/1 of Kazakhstan Stock Exchange Board of December 26, 2005;
- effective from February 1, 2006.

5. Additions No. 4:

- approved by decision No. 4/2 of Kazakhstan Stock Exchange Board of January 13, 2006;
- effective from January 16, 2006.

6. Changes and Additions No. 5:

- approved by decision No. 45/0 of Kazakhstan Stock Exchange Board of March 27, 2006;
- effective from April 1, 2006.

7. Changes No. 6:

- approved by decision No. 65/2 of Kazakhstan Stock Exchange Board of April 26, 2006;
- effective from April 26, 2006.

8. Changes № 7:

- approved by decision No. 113/1 of Kazakhstan Stock Exchange Board of August 28, 2008;
- effective from September 1, 2008.

9. Additions and Change № 8:

- approved by decision No. 177/1 of Kazakhstan Stock Exchange Board of December 22, 2008;
- effective from December 25, 2008.

10. Changes No. 9:

- approved by decision No. 183/0 of Kazakhstan Stock Exchange Board of December 29, 2008;
- effective from January 1, 2009.

This Specification has been developed in compliance with Rules on Execution of Repo Transactions approved by the general meeting of Kazakhstan Stock Exchange members (hereinafter – the Exchange) (protocol No. 6 of December 23, 2002), and defines basic characteristics of the automatic repo market (*this paragraph was changed by the Exchange Council decision of January 15, 2004*).

Chapter 1. GENERAL PROVISIONS, REPO TRANSACTIONS SUBJECTS

1. Concepts used in this Specification are defined by the above mentioned Rules and other Exchange internal documents.

For this Specification purposes the repo transaction means only the repo transaction, executed by the “automatic” method.

2. As repo transaction subjects can be used:

- 1) government securities of the Republic of Kazakhstan, including securities issued in compliance with the legislation of other countries (excluding securities, issued by local executive bodies of the Republic of Kazakhstan, and government long-term savings treasury instruments of the Republic of Kazakhstan (MEUJKAM)) (*this sub-item was supplemented by the Exchange Board decision of February 07, 2005*);

- 2) securities, issued by local executive bodies of the Republic of Kazakhstan, whose issuers observe information disclosure requirements, established by the Exchange internal documents;

shares, included into the Exchange official list by the first category, whose issuers are fully comply with the "Shares" sector first category listing requirements;

debt securities, included into the Exchange official list by "Rated Debt Securities" category, and having the rating not lower than "B-" according to the international scale of Standard & Poor's rating agency (the rating of the international scale similar level of another rating agency) or the rating not lower than "kzB-" by the national scale of Standard & Poor's rating agency, whose issuers are fully comply with this category listing requirements;

debt securities, included into the Exchange official list by the first sub-category of "Non-rated Debt Securities" category, whose issuers are fully comply with this sub-category listing requirements.

(This sub-item was changed by the Exchange Board decision of August 28 and December 29, 2008).

3. Securities out of mentioned in sub-item 1) of item 2 of this Specification are used as repo transaction subjects through setting of required trading system adjustments, without any decisions of the Exchange Board.

A security out of mentioned in sub-item 2) of item 2 of this Specification is admitted for use as the repo transaction subject by the Exchange Board decision, which is made based on the Exchange member's application by category "P", signed by a person having the first signatory right granted by this Exchange member in compliance with existing in the Exchange this member's notarized card with the signature and the stamp imprint (hereinafter – the Application).

If during three months on the security, admitted for use as the repo transaction subject in compliance with the second paragraph of this item, repo transaction is not executed, the Exchange Board makes the decision to withdraw this security out of those, admitted for use as repo transactions subjects. Re-inclusion of this security into the securities list admitted for use as repo transactions subjects is executed in compliance with the second paragraph of this item (*this paragraph was changed by the Exchange Board decisions of June 10, 2003, March 27, 2006 and April 26, 2006 and supplemented by the Exchange Board decision of March 27, 2006*).

4. Standardized period of repo transactions in securities out of mentioned in sub-item 1) of item 2 of this Specification makes up Intraday¹, 1, 2, 3, 7, 14 and 28 days (*this paragraph was supplemented by the Exchange Board decision of January 13, 2006*).

¹ Intraday (eng.) – within (in the range of) one (business) day (*this reference was included by the Exchange Board decision of January 13, 2006*).

Standardized periods of repo transactions in securities out of mentioned in sub-item 1) of item 2 of this Specification are established by the same Exchange Board decisions, according to which this security is admitted for use as the repo transaction subject, based on mentioned in Applications proposed repo transactions periods. Given this, the total number of repo transactions periods on this security should not exceed five, and the maximum repo transaction period on this security can not exceed 30 days (*this paragraph was changed by the Exchange Board decisions of December 26, 2005 and December 29, 2008*).

5. The start date of repo transactions trade on the security, admitted for use as repo transactions subject, in compliance with the second paragraph of item 3 of this Specification, is defined by the same Exchange Board decision, according to which this security is admitted for use as repo transactions subject based on the mentioned in the Application proposed trades start date. Given this the total number of period of repo transactions in this security must not exceed five, and the maximum period of the repo transaction in this security can not exceed 30 days (*this paragraph was changed by the Exchange Board decision of December 22, 2008*).

Trades in repo transactions in the security, admitted for use as repo transactions subject, in compliance with the second paragraph of item 3 of this Specification, shall be opened not earlier than the next business day upon the receipt of the application on admission to use securities of this denomination as the repo transactions subject, executed by the "automatic" method. Given this such application must be received by KASE not later than 13.00 ALT of the last business day, preceding the mentioned in this application assumed date of trades opening (*this paragraph was included by the Exchange Board decision of December 22, 2008*).

If the Application did not propose the start date of repo transactions trades in the security, admitted for use as the repo transaction subject in compliance with the second paragraph of item 3 of this Specification, then trades start date is determined by the Exchange Board independently and is established by the same Exchange Board decision, according to which this security is admitted for use as the repo transactions subject.

6. as financial instruments repo transactions are formed as follows:
 - 1) on securities out of mentioned in sub-item 1) of item 2 of this Specification, repo transactions with the same period constitute one financial instrument regardless of securities, constituting these transactions subjects (*this sub-item was changed by the Exchange Board decision of December 29, 2008*);
 - 2) on each single security out of mentioned in sub-item 2) of item 2 of this Specification, repo transactions with different period constitute different financial instruments.
7. When executing the repo transactions only one currency is allowed for use – Kazakhstan tenge.
8. In the trading system, repo transactions' codes as of financial instruments are established in compliance with the certain Exchange internal document.

Chapter 2. CALCULATION OF PARAMETERS OF REPO OPENING AND CLOSING DEALS

9. The repo transaction opening price equals the security price, determined in compliance with the Methodology of Securities Valuation being applied by the Exchange.
10. The number of repo transaction subject is calculated by the trading system automatically based on the amount of the repo opening deal, mentioned by repo transaction participants at its conclusion, and the repo transaction opening price by formula:

$$K = \left[\frac{Q}{P_o} \right], \text{ where}$$

- K – number of the repo transaction subject (in pieces);
- Q – amount of the repo transaction opening (KZT), mentioned by repo transaction participants at its conclusion;
- P_o – repo transaction opening price (KZT);
- [] – rounding up of a derived result up to the nearest integral value.

11. The exact amount of the repo opening deal is calculated by the trading system automatically based on the number of the repo transaction subject and the repo transaction opening price by formula:

$$Q_o = K \times P_o, \text{ where:}$$

Q_o – exact amount of the repo opening deal (KZT).

12. Repo transaction closing price is calculated by the trading system automatically based on the repo transaction yield, the repo transaction period and the repo transaction opening price by formula:

$$P_c = \left(\frac{l}{365} \times n \times \frac{P_o}{100} \right) + P_o, \text{ where}$$

P_c – repo transaction closing price (KZT);

l – repo transaction yield (as percentage per annual);

n – repo transaction period (days)² (*this paragraph was supplemented by the Exchange Board decision of January 13, 2006*).

13. Amount of the repo closing deal is calculated by the trading system automatically based on the number of the repo transaction subject and the repo transaction closing price by formula:

$$Q_c = K \times P_c, \text{ where}$$

Q_c – amount of repo closing deal (KZT).

14. Prices of repo opening and closing deals are rounded by the trading system automatically up to the fourth, and the exact amount of the repo transaction and amount of the repo closing deal up to the second digit after the point according to the mathematical rounding rule (digits up to five are reduced up to zero, and digits from five and over are increased up to ten).
15. The repo closing deal amount is recalculated by the trading system automatically based on the actual repo transaction duration, if the repo closing date falls on non-working (day off or holiday) day.

Chapter 3. REPLACEMENT OF ONE REPO TRANSACTION SUBJECT BY ANOTHER

16. One repo transaction subject is replaced by another only in cases specified by the above mentioned Rules on Execution of Repo Transactions and based on terms, specified by these Rules. Given this:
- 1) if the security out of specified in sub-item 1) of item 2 of this Specification was used as the replaceable repo transaction subject, then it can be substituted for any other security out of specified in this sub-item securities;
 - 2) if the security out of specified in sub-item 2) of item 2 of this Specification was used as the replaceable repo transaction subject, then its substitution for another security is disallowed.

President

A. Joldasbekov

² For the repo transaction with Intraday period, n equals one (*this reference was included by the Exchange Board decision of January 13, 2006*).