

# KAZAKHSTAN STOCK EXCHANGE

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**Approved**

by decision No. 162/0 of the Board  
of Kazakhstan Stock Exchange

of November 25, 2008

**Effective**

from November 25, 2008

## **NOTICE**

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

# **SPECIFICATION**

## **of Affined Ingot Gold Futures**

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Almaty

2008

This Specification has been developed in accordance with the internal document of Kazakhstan Stock Exchange (hereinafter – the Exchange) "Rules on Exchange Trading and Futures Settlement"<sup>1</sup> and determines unified terms of the affined ingot gold futures (hereinafter – the futures).

1. The underlying asset of the futures (hereinafter – the underlying asset): affined ingot gold:
  - 1) complying with Good Delivery standard of the London Bullion Market Association (hereinafter – the Good Delivery standard) and/or GOST 28058-89 "Ingot gold. Technical specifications" (ST RK 932-92 "Ingot gold. Technical specifications") and/or other standard related to affined ingot gold and allowed by the Exchange Board for using for purposes of futures trading;
  - 2) one ingot ligature mass equals to 400 troy ounces<sup>2</sup> or 1,000 grams (32.1507 troy ounces) with deviations from the mass as admitted by the aforementioned standards<sup>3</sup>;
  - 3) stored at the Center for Cash Transactions and Values Storage (branch) of the State Institution "National Bank of Republic of Kazakhstan" (511, Tashkentskaya str., Almaty) (hereinafter – the Gokhran).
2. The Exchange shall not check existence of contractual relations of futures trading participants with the Gokhran in regard of storage of the underlying asset therein; likewise the Exchange shall not check availability of the selling underlying asset in the Gokhran.

Items 19-20 hereof specify consequences of violation of obligations on the futures.

3. Standard amount of the underlying asset: one troy ounce of chemically pure gold for one futures.
4. Terms of futures execution: one month, two months (except for provided in the second paragraph of this item).

At initial launch of futures trades terms of execution thereof may be reduced by the Exchange Board, provided complying with the norm set by item 5 hereof.

5. Futures execution days: the fourteenth and fifteenth business days<sup>4</sup> of a calendar month.
6. The first trading day in futures of any tranche: the fourteenth business day of a calendar month, that number of months away from the futures execution, which equals to execution term of futures of this tranche (except as provided by the second paragraph of this item).

The first futures trades may be scheduled by the Exchange Board for any business day within the terms of futures execution.

7. The last day of trades in futures of any tranche: the last business day before days of execution of futures of this tranche (the thirteenth business day of a calendar month, on which the days of execution of futures of this tranche fall).
8. Individual parameters of futures trading:
  - 1) main trading method – nego deals conclusion method;
  - 2) size of an order for conclusion of a deal in futures (measured in futures) must comply with estimated mass of chemically pure gold (in troy ounces) in one ingot of the underlying asset planned for sale or purchase<sup>5</sup>;

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<sup>1</sup> Approved by the decision of the Exchange Council and the Exchange Council Committee of Kazakhstan Stock Exchange for Currency Market (minutes No. 2 of the joint meeting of April 21, 1999).

<sup>2</sup> One troy ounce – 0.0311034807 kilogram.

<sup>3</sup> For instance, Good Delivery standard allows for 350 to 430 troy ounces (from approximately 10.9 kilograms to approximately 13.4 kilograms) of chemically pure gold in one ingot, and GOST 28058-89 (ST RK 932-92) specifies a ligature mass of from 11.0 to 13.3 kilograms in one affined gold ingot.

<sup>4</sup> Hereinafter a business day shall mean a day which is a working day in the Republic of Kazakhstan.

<sup>5</sup> In accordance with item 5 of article 2 of the Exchange internal document "Regulations on Trades and Confirmation System Operation", approved by the Exchange Board decision No. 108/1 on August 5, 2004, at nego deals conclusion trading concept "lot" shall not be applicable; sizes of orders and, accordingly, that of deals shall be determined by trade participants independently on concord with each other.

- 3) futures price measurement unit – tenge for one troy ounce of chemically pure gold within the second decimal place accuracy;
  - 4) concept "price deviation limit" shall not be applicable at futures trading;
  - 5) additional trading method shall not be set;
  - 6) method of fixing shall be a reserve trading method.
9. No requirements to futures trade participants shall be set in regard of the future:
- 1) in respect of depositing a guarantee margin;
  - 2) in respect of payment of a variance margin<sup>6</sup>;
  - 3) in respect of payment of a deposit margin<sup>7</sup>.
10. No limit on market share shall be set in regard of the future.
11. Execution of the future (with account to provided in item 16 hereof):
- 1) with delivery of the underlying asset through transfer thereof in the Gokhran from a clearing member of the Exchange of category "C" – supplier of the underlying asset to a clearing member of the Exchange of category "C" – recipient of the underlying asset in accordance with normative (normative legal) acts, regulating the order of Gokhran activities;
  - 2) with transfer of money in return for the underlying asset through the Exchange Clearing House;
  - 3) in accordance with "delivery versus payment" principle;
  - 4) with admissible deviation of actual mass of chemically pure gold in one ingot of supplied underlying asset not exceeding  $\pm 0.5\%$  mass of chemically pure gold, which must be contained in one ingot on the basis of a number of sold/purchased futures.
12. For purposes of items 13–20 hereof:
- 1) futures shall mean futures of any tranche subject to execution;
  - 2) underlying asset shall mean underlying asset which is subject to delivery in pursuance with execution of futures of any tranche subjected to execution;
  - 3) supplier of underlying asset shall mean a clearing member of the Exchange of category "C", which is a supplier of the underlying asset in accordance with futures of any tranche subject to execution;
  - 4) recipient of the underlying asset shall mean a clearing member of the Exchange of category "C", which is a recipient of the underlying asset in accordance with futures of any tranche subject to execution;
  - 5) the first day of execution shall mean the fourteenth business day of a calendar month, on which days of execution of futures of any tranche subject to execution fall;
  - 6) the second day of execution shall mean the fifteenth business day of a calendar month on which days of execution of futures of any tranche subject to execution fall.
13. Order of futures execution (with account to provided in item 16 hereof):
- 1) the supplier of the underlying asset:  
before 11.00 ALT of the first day of execution shall present to the Clearing House of the Exchange a written notification in a free form on a blank of the supplier, containing data on ingots of the underlying asset (with account to admissible deviation of actual mass of

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<sup>6</sup> Correspondingly, in respect of the futures the minimum futures price change ("tick") and valuation base of the minimum futures price change shall not be set, and, as well, concepts "settlement price", "final settlement price" and "settlement price change limit" shall not be used.

<sup>7</sup> Correspondingly, deposit margin size shall not be set in respect of the futures, and the Exchange shall not hold a clearing session at the end of a trading day.

chemically pure gold in one ingot of the underlying asset, set by sub-item 4) of item 11 hereof, and terms, set by item 14 hereof);

before 15.00 ALT of the first day of execution shall by phone check with the Exchange Clearing House data necessary for transfer of ingots of the underlying asset in the Gokhran from the supplier (to which recipients of the underlying asset which ingots of the underlying asset are subject to transfer);

after receipt from the Exchange Clearing House of a telephone message on full compliance of the underlying asset with specific obligations on its payment (in accordance with the fourth paragraph of sub-item 2) of this item) shall present the Gokhran with order documents of a seller for transfer of ingots of the underlying asset from the supplier to recipients of the underlying asset (on terms, good to provide compliance with the condition, set by the fifth paragraph of this item);

on receipt from the Exchange Clearing House of a telephone message on full compliance with specific obligations of recipients of the underlying asset on payment thereof (in accordance with the fourth paragraph of sub-item 2) of this item), but not later than 16.00 ALT of the second day of execution shall present to the Exchange Clearing House a copy of the document issued by the Gokhran verified by the supplier, confirming transfer of the underlying asset from the supplier to recipients of the underlying asset;

2) the Exchange Clearing House:

before 12.30 ALT of the first day of execution shall check the data in the notifications received by the Exchange Clearing House in accordance with the second paragraph of sub-item 1) of this item, with the available at the Exchange data on liabilities of suppliers and recipients of the underlying asset, and, at presence of positive results of such a check, shall distribute ingots of the underlying asset among recipients of the underlying asset, define specific liabilities of recipients of the underlying asset on payment thereof, and communicate to recipients of the underlying asset messages on such liabilities (with account to conditions set by item 15 hereof);

before 15.00 ALT of the first day of execution shall by phone check with suppliers and recipients of the underlying asset data required for transfer of ingots of the underlying asset in the Gokhran (from which suppliers of the underlying asset to which of recipients of the underlying asset which ingots of the underlying asset are subject to transfer);

before 16.00 ALT of the first day of execution shall by phone inform suppliers of the underlying asset on receipt of amounts by the Exchange in compliance with specific liabilities of recipients of the underlying asset in regard of its payment;

before 16.30 ALT of the second day of execution shall check correctness of transfer of the underlying asset in the Gokhran from suppliers of the underlying asset to recipients thereof through correlation of the data contained in copies of Gokhran documents received by the Exchange Clearing House in compliance with the fifth paragraph of sub-item 1) of this item and results of the check carried out in accordance with the third paragraph of sub-item 1) of this item, the third paragraph of this sub-item, the third paragraph of sub-item 3) of this item;

at presence of positive results of the check carried out in accordance with the fifth paragraph of this sub-item, but not later 17.30 ALT of the second day of execution shall pay suppliers of the underlying asset the amounts received by the Exchange in pursuance with specific liabilities of recipients of the underlying asset in regard of payment thereof;

3) the recipient of the underlying asset:

upon receipt from the Exchange Clearing House of a message as specified in the second paragraph of sub-item 2) of this item, shall place at Exchange correspondent account No. 900161427 in the Directorate for Accounting of Monetary Transactions (OOKSP) of the National Bank of the Republic of Kazakhstan (BIC 190201125, TIN 600200049149, Kbe 15) the amount specified in the message in compliance with specific liabilities of the recipient in regard of payment for the underlying asset (on such terms, so that the Exchange receives the indicated sum before 15.00 ALT of the first day of execution);

before 15.00 ALT of the first day of execution shall by phone check with the Exchange Clearing House the data necessary for transfer of ingots of the underlying asset in the

Gokhran to the recipient (from which suppliers of the underlying asset which ingots of the underlying asset are subject to transfer);

before 10.00 ALT of the second day of execution shall present to the Gokhran order documents of the buyer for transfer of ingots of the underlying asset to this recipient from suppliers of the underlying asset.

14. The notification specified in the second paragraph of sub-item 1) of item 13 hereof:
  - 1) must contain data on precise content of chemically pure gold (in troy ounces with the third decimal place accuracy) in each specific ingot of the underlying asset and other distinctive characteristics of this ingot (in accordance with Good Delivery standard and/or GOST 28058-89 "Ingot gold. Technical specifications" (ST RK 932-92 "Ingot gold. Technical specifications"));
  - 2) must be signed by persons enjoying powers of first and second signatures on behalf of the supplier of the underlying asset in accordance with the signatures and stamp print specimen card of the supplier available at the Exchange.
15. The messages, specified in the second paragraph of sub-item 2) of item 13 hereof:
  - 1) shall be signed by a Chairman of the Exchange Clearing House;
  - 2) shall be transmitted to recipients of the underlying asset through fax at numbers provided to the Exchange by the recipients as contact numbers in regard of membership on the Exchange;
  - 3) shall be accompanied by appendices of full or partial copies of notifications received by the Exchange Clearing House in accordance with the second paragraph of sub-item 1) of item 13 hereof.
16. Before days of execution of futures of any tranche the supplier and the recipient of the underlying asset may ahead of schedule (without participation of the Exchange) settle liabilities on futures of the tranche, having notified thereof the Exchange by corresponding letters in free form, which must be signed by the persons enjoying powers of first and second signatures on behalf of the supplier and the recipient in accordance with the signatures and stamp print specimen cards of the supplier and the recipient as Exchange members available at the Exchange.

In case of such settlement the futures shall be annulled, and the Exchange shall remove the liabilities from its data on liabilities of suppliers and recipients of the underlying asset.
17. The futures shall be deemed unexecuted through underlying asset supplier's fault in the following cases:
  - 1) supplier violates the term set by the second paragraph of sub-item 1) of item 13 hereof;
  - 2) incompliance of the data in the notification received by the Exchange Clearing House from the supplier in accordance with the second paragraph of sub-item 1) of item 13 hereof, with the data available at the Exchange on liabilities of suppliers and recipients of the underlying asset;
  - 3) supplier violates the term set by the fifth paragraph of sub-item 1) of item 13 hereof;
  - 4) incompliance of the data in a Gokhran document copy received by the Exchange Clearing House in accordance with the fifth paragraph of sub-item 1) of item 13 hereof with results of the check conducted in accordance with the third paragraph of sub-item 1), the third paragraph of sub-item 2), the third paragraph of sub-item 3) of item 13 hereof.
18. The futures shall be deemed unexecuted through underlying asset recipient's fault in the following cases:
  - 1) the recipient violates the condition, set by the second paragraph of sub-item 3) of item 13 hereof;
  - 2) the Exchange Clearing House does not receive from the supplier of the underlying asset a copy of the Gokhran document indicated in the fifth paragraph of sub-item 1) of item 13 hereof, before 16.00 ALT of the second day of execution due to the recipient violating the condition provided in the fourth paragraph of sub-item 3) of item 13 hereof.

19. Consequences of futures default:

- 1) for purposes of this item a guilty party shall be a supplier or a recipient of the underlying asset, through fault of which the futures is deemed unexecuted in accordance with items 17–18 hereof, an affected party shall be a recipient of a seller of the underlying asset, which is not guilty in futures failure according to the indicated items;
- 2) before 18.00 ALT of the second day of execution the affected party shall provide the Exchange with a free form written notification on a blank of the supplier (recipient) of the underlying asset on its intent:  
to annul an unexecuted futures; or  
to "retain" an unexecuted futures before final compliance by the guilty party with its liabilities on the futures; or  
to independently (without participation of the Exchange) settle liabilities on the unexecuted futures with the guilty party;
- 3) if the Exchange receives no notification specified in sub-item 2) of this item before 18.00 ALT of the second day of execution it shall be considered that the affected party intends to annul an unexecuted futures;
- 4) if the affected party intends to annul an unexecuted futures:  
the futures shall be annulled;  
the guilty party shall be imposed an obligation to pay the affected party a forfeit computed in accordance with item 20 hereof (unless the affected party waives to collect the forfeit), and pay the Exchange the amount of commissions fee accrued on the futures (including that for the affected party);  
the affected party shall be entitled to require in the order specified by the legislation of the Republic of Kazakhstan Stock Exchange and KASE internal documents collection of losses in the full amount exceeding the forfeit from the guilty party;  
the Exchange shall return to a recipient of the underlying asset the amount received there from earlier in pursuance of obligations on the futures in accordance with the second paragraph of sub-item 3) of item 13 hereof;
- 5) if the affected party intends to "retain" an unexecuted futures, the obligation thereon shall be retained, and the guilty party shall be imposed an obligation to pay in favor of the affected party a forfeit in the amount of 0.1 % of the future's price for each day of incompliance with obligations thereon;
- 6) if the affected party intends to independently (without participation of the Exchange) settle obligations on the unexecuted futures with the guilty party:  
the futures shall be annulled;  
the Exchange shall remove the obligation from its data on obligations of suppliers and recipients of the underlying asset;
- 7) the notification of the affected party, specified in sub-item 2) of this item, shall be signed by the persons enjoying powers of first and second signatures on behalf of a supplier (recipient) of the underlying asset in accordance with the signatures and stamp prints specimen card of the supplier (recipient) as an Exchange member available at the Exchange.

20. Order of forfeit calculation at futures annulment:

- 1) the Exchange is fixing the price of one troy ounce of available gold ("London Gold Fixing") in US dollars in accordance with data of the London Bullion Market Association<sup>8</sup> as on 10.00 ALT of the first day of execution;

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<sup>8</sup> According to the information released at the Internet-site [www.lbma.org.uk](http://www.lbma.org.uk)

- 2) the price fixed in accordance with sub-item 1) of this item shall be recalculated by the Exchange in tenge according to the US dollar weighted average as on the indicated date at 10.00 ALT of the first day of execution<sup>9</sup> and shall be rounded to the second decimal by mathematical rounding rules (figures less than five shall be cut to zero, and figures exceeding five shall be increased to ten);
- 3) in case the futures is considered unexecuted through underlying asset supplier's fault, and the price determined in accordance with sub-item 2) of this item exceeds the primary price of the futures being annulled, the larger of the following values: difference between the indicated prices or a value equal to 3 % (if the annulled futures is a one month futures) or 6 % (if the annulled futures is a two month futures) of the annulled futures price shall be used as a forfeit size;
- 4) in case the futures is considered to be unexecuted through underlying asset supplier's fault, and the price determined in accordance with sub-item 2) of this item is less than the primary price of the futures being annulled or equals thereto, the value equal to 3 % (if the annulled futures is a one month futures) or 6 % (if the annulled futures is a two month futures) of the annulled futures price shall be used as a forfeit size;
- 5) in case the futures is considered to be unexecuted through underlying asset recipient's fault, and the price determined in accordance with sub-item 2) of this item is less than the primary price of the futures being annulled, the larger of the following values: difference between the indicated prices or a value equal to 3 % (if the annulled futures is a one month futures) or 6 % (if the annulled futures is a two month futures) of an annulled futures price shall be used as a forfeit size;
- 6) in case the futures is considered unexecuted through underlying asset supplier's fault, and the price determined in accordance with sub-item 2) of this item exceeds or equals the primary price of the futures being annulled, the value equal to 3 % (if the annulled futures is a one month futures) or 6 % (if the annulled futures is a two month futures) of an annulled futures price shall be used as a forfeit size.

President

A. Joldasbekov

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<sup>9</sup> Weighted average price of all deals in US dollar (regardless of settlement terms), concluded at the last resultant USD morning trading session on the Exchange. A resultant US dollar morning trading session on the Exchange is a US dollar morning trading session on the Exchange, during which at least one deal in US dollars has been concluded.