

KAZAKHSTAN STOCK EXCHANGE

Approved

by the decision of Kazakhstan
Stock Exchange Council
of November 2, 2001

Effective

from November 7, 2001

NOTICE

The Rules have 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 Rules in Russian, the Russian version shall always prevail.

RULES

on Settlement of Issues at Malfunctions in Trading System Operation

Almaty
2001

LIST OF AMENDMENTS

1. Addition No. 1:

- approved by the decision of Kazakhstan Stock Exchange Council of (protocol No. 8 (3) of April 2, 2003);
- effective from April 3, 2003.

This Document provides the procedures on settlement of issues that originated as a result of malfunctions in the operation of the software of Kazakhstan Stock Exchange (hereinafter referred to as "**the Exchange**") that provides holding of the exchange trading in financial instruments (*this paragraph was changed by the Exchange Council decision of January 15, 2004*).

The concepts used herein mean the following:

"Exchange Administrator" – an employee of the Exchange, responsible for organization and holding of trades at the Exchange

"Server" – technical equipment with the Exchange software installed thereat, processing the requests coming from all trades participants and providing automatic execution of deals between trades participants;

"Terminal" – technical equipment with the Exchange software installed thereat, used by the Exchange member for participation in the Exchange trades, located in the trading hall of the Exchange and/or in the office of the trades participant;

"Malfunction" – a temporary fault of the programming-technical complex of the Exchange or of a separate component thereof, which entailed incapability to participate in the Exchange trades for one, several or all trades participants;

"Trading system" – a combination of interconnected facilities, equipment, inventory, programming-technical devices, internal documents and other necessary assets and procedures, by means of which the deals with securities between the Exchange members are executed;

"Trader" – a natural person, participating in the trades in financial instruments held by the Exchange on behalf of the Exchange member;

"Electronic announcement" – a message in the electronic format, transferred through the server to the monitor of the trades participant terminal.

Chapter I. Malfunction of the Trading System Server

1. For ensuring of reliable performance of the Trading system operation and its resistance to possible faults in equipment operation the Exchange during the period of trades in the financial instruments circulating thereat maintains simultaneous operation of the main and reserve servers.
2. For provision of normal continuation of trades in financial instruments in case of malfunction at the main server the Exchange carries out copying of information from the main server to the reserve server in the real time mode.
3. In the event of malfunction on the main server, the Exchange by an electronic announcement or by other method:
 - announces an interruption for technical reasons and carries out switching of the trades participants to the reserve server;
 - informs trades participants on switching to a reserve server and on necessity to verify the information retained on the reserve server;
 - advises about the time of trades resumption and on possible shift of the Exchange working schedule.
4. The deals and orders the information on which was not transferred from the main server to a reserve server are announced as annulled.
5. In case both the main and the reserve server fail and it is impossible to remove reasons of faults before the end of the working day the Exchange will hold trades by one of the reserved methods foreseen at the Exchange.

At that the trades held before the Exchange servers failure are considered as not accomplished and in case it is not possible to recover the information on the deals concluded at these trades, such deals are announced as annulled, except for the deals on which the settlements were made.

Chapter II. Trader Actions at Malfunctions of the Terminal

1. At disclosure of a malfunction in the terminal operation a trader should immediately notify thereon the Exchange administrator or his assistant, and also verbally state their intentions on execution of the deals in the Exchange Trading system.
2. In case of the terminal technical failure a trader may require from the Exchange administrator temporary suspension of trades, at least 30 (thirty) seconds before the trades end regulation time. This item covers only trades in foreign currency.
3. For purposes of prompt resolution of arising situations a trader should notify the Exchange administrator on the terminal malfunction, and after the notification of the Exchange administrator he should unquestionably and neatly follow his recommendations and directions. Alternatively the Exchange is released from the responsibility for the damage incurred by the trades' participant as a result of the terminal malfunction.
4. Improper carrying out of instructions and directions of the administrator, and also independent actions of a trader intended on removal of the terminal malfunction are prohibited.
5. In case of the trader untimely notification of the Exchange administrator on the occurred malfunction the Exchange is released from the responsibility for the loss incurred by the trades' participant as a result of the terminal malfunction.

Chapter III. The Exchange Administrator Actions at Malfunctions

1. For purposes of prompt and timely taking measures on removal of malfunctions the Exchange administrator is prescribed to stay in the Exchange trading hall during trading.
2. In the event of malfunctions at operation of terminals of one or several Exchange members the Exchange administrator should make all efforts to resolve the current situations without any damage to third persons and to maximally accommodate the interests of the other Exchange members in respect of their uninterrupted and equitable participation in trades.
3. Depending on the current situation resulted from a malfunction the Exchange administrator should take the following measures:
 - upon trader's request, provide the other (reserve) terminal for proceeding of operation in the Exchange trading hall;
 - upon trader's request suspend trading and announce interruption due to technical reasons. In this case the Exchange administrator should notify thereof all trades participants by means of electronic announcement, and at trades resumption notify on the time of resumption and closing of the trading session, with account of the Exchange right of surrender specified in item 2 of chapter V hereof;
 - from the trading administrator terminal, put a request into the Trading system on behalf of the trader, at whose terminal there was a malfunction in operation. Request input is made only upon a written request of a trader and only if after malfunction the trader accepted an offer to continue trades without announcement of interruption due technical reasons. Request input from the administrator terminal is made on a one time basis;
 - in case of occurrence of system-wide circumstances, inviting a danger and/or preventing a normal behavior of a trading session, announce an interruption due to technical reasons for clarification of circumstances and making necessary decisions on removal of the risen problems.
4. The minimum trading session extension time after an announcement of an interruption due to technical reasons is 5 (five) minutes.
5. Separate actions of the Exchange administrator may be executed in time limiting conditions which should be taken into account by all trades participants.
6. The Exchange administrator is administratively responsible for non-action in respect of malfunctions removal and for violation of confidentiality mode at receipt of traders directions on the input of requests for execution of deals in the Exchange trading system.

Chapter IV. Exchange Responsibility before Trades Participants

1. The Exchange does not compensate for the losses suffered by the trades participants due to annulment of deals subject to items 4 and 5 of chapter I hereof.
2. If a terminal operation malfunction occurred not less than 30 (thirty) seconds before the trades closing and at that the Exchange administrator did not execute necessary actions subject to chapter III hereof, the Exchange indemnifies trades participants for the factual amount of the damage suffered as a result of a malfunction. The maximum amount of damage to be reimbursed by the Exchange to the trades' participant is limited with two-fold amount of a monthly membership fee, regardless of the damage amount incurred by the trades' participant as a result of the malfunction.
3. In case of malfunction occurrence less than 30 (thirty) seconds before trades closing, the situation is considered as a force-majeure.
- 3-1. The Exchange is not responsible for the damages inflicted on the Exchange member participating in the Exchange trades in the remote access mode due the terminal operation malfunction that happened due to the fault of the Exchange member, his employees or the third persons (including the organizations rendering telecommunications services), and also due to inoperability or failure of computer and communications equipment of this Exchange member and errors or delays in operation of such equipment (*this item was included by the Exchange Council decision (protocol No. 8 (3) of April 2, 2003)*).
4. In case of occurrence of controversial issues in the Exchange employees or trader actions at resolution of the issues related to the malfunction such situations are brought to consideration of the Exchange Council.
5. For making decisions of the Exchange Council parameters of the messages generated by the trading system software are used in the capacity of registration records of a malfunction. In case of need, a temporary technical expert commission may be set up for elaboration of an independent experts' opinion.

Chapter V. Special Cases

1. A malfunction in the Exchange administrator terminal operation envisages use of the reserve terminal or announcement of interruption due to technical reasons.
2. The Exchange members participating in the Exchange trades in the remote access mode are subjected to an additional malfunction risk connected with exploitation of communications equipment and rented communications lines. Thereby the Exchange may refuse the suspension of trades or set a maximum time limit of trades' suspension due to malfunction of the terminal used in the remote access mode.
3. Other than those specified herein malfunction cases envisage announcement of in interruption due to technical reasons and suspension of trades upon request and on concordance with trades' participant(s).
4. At giving effect to new versions of the Trading system the Exchange may announce an interruption due to technical reasons in the Trading system operation for a period of not more than 3 hours. The announcement on an interruption due to technical reasons should be brought to notice of trades' participants not later the end of the working day preceding the day on which a new version of the Trading system was given effect to.