

# KAZAKHSTAN STOCK EXCHANGE

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## **Agreed on**

with the Agency of the Republic of  
Kazakhstan on Regulation and Supervision of  
Financial Market and Financial Organizations

on July 19, 2010

Deputy Chairman of the Agency of the  
Republic of Kazakhstan on Regulation  
and Supervision of Financial Market  
and Financial Organizations

## **Approved**

by decision of Kazakhstan Stock Exchange  
Board of Directors

(minutes # 11 of May 28, 2010)

## **Effective**

from October 20, 2010

A. ALDAMBERGEN

## **NOTICE**

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 Instruments**

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Almaty

2010

## LIST OF AMENDMENTS

### 1. Amendments and additions No. 1:

- agreed upon with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on November 1, 2010;
- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange (minutes # 17 of a meeting held on July 29, 2010);
- effective from November 5, 2010.

### 2. Amendment and addition No. 2:

- agreed upon with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on November 2, 2010;
- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange (minutes # 22 of a meeting held on October 4, 2010);
- effective from November 8, 2010.

### 3. Amendments and additions No. 3:

- agreed upon with the Committee on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan on December 2, 2011;
- approved by a decision of the Board of Directors of Kazakhstan Stock Exchange (minutes # 28 of a meeting held on October 27, 2011);
- effective from February 1, 2012.

These Rules of Exchange Trading in Derivative Instruments define terms and conditions as well as procedure for conclusion of deals in derivative instruments traded at Kazakhstan Stock Exchange (hereinafter – the Exchange).

### Chapter 1. GENERAL PROVISIONS

#### Article 1. Terms

1. Terms used in these Rules have the following meanings (*this paragraph has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010*):
  - 1) "**broker**" – a person authorized by the Exchange to suspend and resume exchange trading in derivative instruments;
  - 2) "**underlying asset**" – the subject of a derivative instrument;
  - 3) "**market-maker**" – an Exchange member, who undertakes to continuously announce and maintain two-way quotations on derivative instruments of a particular series (*this sub-item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010*);
  - 3-1) "**derivative instruments sector**" is a set of certain types of derivative contracts with a similar nature of their underlying assets (*this sub-item has been included by a decision of the Exchange's Board of Directors dated October 27, 2011*);
  - 4) "**derivative instrument specification**" – a document determining terms and parameters of a derivative instrument (*this sub-item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010*);
  - 5) "**derivative instrument**" – a derivative financial instrument traded on the Exchange according to these Rules (*this sub-item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010*);
  - 6) "**trader**" – an individual authorized by a derivatives market member to participate in exchange trading in derivative instruments (*this sub-item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010*);
  - 7) "**futures contract (futures)**" – a derivative instrument with regard to which its buyer (or seller) undertakes to buy (or sell) the underlying asset upon expiry of a certain period of time, in accordance with terms and conditions determined by the Exchange's internal documents (*this sub-item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010*);
  - 8) "**Exchange member**" – a derivatives market member as determined by Regulations on Membership (*this sub-item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010*).
2. Other terms used in these Rules are identical to terms determined by other internal documents of the Exchange.

#### Article 2. General Rules of Conclusion of Exchange Futures Deals

3. A derivative instrument used as a subject of exchange trading has standardized terms and conditions.
- 3-1. Two sectors of derivative instruments are supposed to be operating at the exchange:
  - 1) sector of currency derivative instruments comprising those types of derivative instruments whose underlying assets is currency;

- 2) sector of stock derivative instruments, comprising those types of derivative instruments, whose underlying asset is stock assets (shares, bonds, stock indices).

*(This item has been included by a decision of the Exchange's Board of Directors dated October 27, 2011).*

4. Those deals are to be considered as exchange futures deals which concern purchase and sale of derivative instruments and which are concluded between the Exchange and Exchange members during execution of exchange trading under these Rules *(this item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010).*
5. Conclusion of an exchange futures deal means acquisition by the parties thereof of rights and liabilities on a derivative instrument in accordance with its specification and the Rules of Execution of Clearing Activities on the Derivatives Market *(this item has been supplemented by a decision of the Exchange's Board of Directors dated July 29, 2010).*
6. Filing by an Exchange member of a derivative instrument purchase/sales order during exchange trading means that Exchange member's unconditional assent to conclusion of an exchange futures deal 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.
7. Terms indicated in an Exchange member's orders for purchase/sale of derivative instruments are considered confidential 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 Instruments**

8. Standard terms of derivative instruments used as a subject of exchange trading are defined in their specifications approved by the Exchange's Board *(this item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010).*
9. Trading in derivative instruments of a certain type is opened after specifications of derivative instruments of that type have been approved and come into effect *(this item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010).*
10. A decision on the use of derivative instruments as a subject of exchange trading as well as specifications of such derivative instruments must be communicated to Exchange members not later than five working days before trading in a given derivative instrument begins.
11. Standard conditions of derivative instruments of a certain type may be changed as a result of making additions and amendments to specifications of derivative instruments with such additions and amendments being subject to approval by the Exchange's Board.

The Exchange notifies Exchange members of amendments and additions to specifications of derivative instruments coming into effect not later than ten working days before the date of their coming into effect, if not otherwise specified by a decision of the Exchange's Board of Directors or Exchange's Managing Board *(this paragraph has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010).*

12. *(This item has been removed by a decision of the Exchange's Board of Directors dated July 29, 2010).*

13. The Exchange's Board may take a decision to early terminate the validity of derivative instruments' specifications.

The Exchange notifies Exchange members of an early termination of the validity of derivative instruments' specifications not later than ten working days before their validity expires, if not otherwise specified by a decision of the Exchange's Board of Directors or Exchange's Managing Board.

*(This item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010).*

#### **Article 4. Exchange Members**

14. Exchange members are entitled to participate in exchange trading in derivative instruments.

15. 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 *(this item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010).*

15-1. An Exchange member can be admitted to exchange trading in derivative instruments which are part of the sector of currency derivative instruments, provided the following requirements are met *(this paragraph has been amended by a decision of the Exchange's Board of Directors dated October 27, 2011):*

1) availability of equity capital equivalent to not less than five million three hundred and eight thousand MCI (Monthly Calculation Index) as indicated in financial statements presented to the Exchange by Exchange members according to the Exchange's internal documents;

2) the mandatory guarantee fee has been contributed to the Guarantee Fund in the amount specified by the Regulations on Derivatives Market Reserves and Guarantee Funds *(this sub-item has been amended by a decision of the Exchange's Board of Directors dated October 27, 2011) .*

*(This item has been included by a decision of the Exchange's Board of Directors dated July 29, 2010).*

15-2. For admission to exchange trading in derivative instruments which are part of the sector of currency derivative instruments, Exchange members are required to contribute the mandatory guarantee fee to the Guarantee Fund in the amount specified by the Regulations on Derivatives Market Reserves and Guarantee Funds *(this item has been included by a decision of the Exchange's Board of Directors dated July 29, 2010 and amended by decisions of the Exchange's Board of Directors dated October 4, 2010 and October 27, 2011).*

15-3. Measures specified by items 15-1 and 15-2 of this article do not apply to the National Bank of the Republic of Kazakhstan *(this item has been included by a decision of the Exchange's Board of Directors dated October 4, 2010).*

16. Exchange members may execute transactions in derivative instruments in their own name, as well as on behalf and at the expense of their clients provided terms of this article are met.

The Exchange's employees cannot be clients of Exchange members with regard to deals in derivative instruments as long as they remain employed by the Exchange and earlier than when six months expire after their quitting the Exchange.

**Article 5. Traders**

17. On behalf of Exchange members, individuals authorized by them – traders – participate in exchange trading in derivative instruments.
18. Terms of traders' admittance to trading are defined by the Exchange's internal documents.
19. A trader is prohibited from executing transactions in derivative instruments at exchange trading in his own name and/or at his own expense, unless he is a client of an Exchange member with regard to derivative instruments.
20. Any actions taken by a trader when making transactions in derivative instruments in the course of exchange trading are compared to actions of the Exchange member he represents.
21. If breach by a trader of terms set by these Rules is discovered, the Exchange may ban such trader from participation in exchange trading in derivative instruments.

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

A decision of the Exchange's Management Board to ban a trader from participation in exchange trading in derivative instruments can be appealed at the Exchange's Board of Directors by the Exchange member he represents.

However, appealing the ban decision does not suspend its effect.

**Article 6. Other Persons Allowed Attending Trading**

22. Apart from traders and employees of the Exchange maintaining exchange trading in derivative instruments and the President and Vice-Presidents of the Exchange, other persons may attend trading as observers only and only with permission from the Exchange's President or supervising Vice-President.
23. No person attending exchange trading may discuss, make announcements or comments, nor may he or she take other actions not related to the trading.
24. Persons other than traders who attend exchange trading are prohibited from carrying out transactions in derivative instruments.
25. Persons attending exchange trading as observers are prohibited from interfering in its process, whether directly or indirectly.

**Article 3. PROCEDURE FOR EXECUTION OF EXCHANGE TRADING IN DERIVATIVE INSTRUMENTS**

**Article 7. Order of Exchange Trading in Derivative Instruments**

26. Order of trading (place and time of trading and other main parameters of its conduct) are defined by the Exchange's Management Board.
27. The Exchange shall notify Exchange members of 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 urgent change in exchange trading regulations by the Exchange's President or supervising Vice-President, if it deems impossible to execute trading in normal mode.

**Article 8. Method of Execution of Exchange Trading in Derivative Instruments**

28. The main method of execution of exchange trading in derivative instruments is the method of a continuous counter auction conducted by means of the trading system.
29. The following is used as exchange trading's opening price for a particular series of derivative instruments (in order of priority):
  - 1) an average between the sales orders' minimum price and the purchase orders' maximum price for a given series of derivative instruments;
  - 2) in the absence of sales orders – the maximum price indicated in orders for purchase of derivative instruments of a given series;  
or  
in the absence of purchase orders – the minimum price indicated in orders for sale of derivative instruments of a given series;
  - 3) in the absence of both sales and purchase orders – the settlement price established on the preceding day of exchange trading in a given series.
30. If it is impossible to conduct exchange trading in derivative instruments using the main method, the Exchange's Management Board shall decide on using other methods.
31. The procedure for conducting exchange trading using one method or another is described in the Exchange's internal documents.

**Article 9. Supervision of Compliance with Limits**

32. 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.
33. In case of non-compliance of an order filed by an Exchange member with the price change limit or the opening positions limit, the Exchange's trading system automatically rejects such order *(this item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010)*.

**Article 10. Malfunctions**

34. *(This item has been excluded by a decision of the Exchange's Board of Directors dated July 29, 2010)*.

**Article 11. Suspension of Exchange Trading in Derivative Instruments**

35. The Exchange may suspend trading in derivative instruments in cases and in an order stipulated by these Rules and by other internal documents of the Exchange, including *(this paragraph has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010)*:
  - 1) in case of alteration of the price change limit fixed for some series of derivative instruments *(this sub-item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010)*;
  - 2) in case of insolvency of one or more Exchange members posing a substantial threat to the derivative instruments market *(this sub-item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010)*;
  - 3) in the absence of trading in derivative instruments during five consecutive trading days;
  - 4) as a result of malfunction of the Exchange's trading system.

36. In case of suspension of trading in derivative instruments all active orders on derivative instruments are automatically withdrawn at the moment of suspension of the trading.

#### **Chapter 4. FINAL PROVISIONS**

##### **Article 12. Market-makers**

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

##### **Article 13. Procedure for Execution of Clearing and Settlements**

38. Upon completion of current exchange trading in derivative instruments, the Exchange carries out a clearing session in an order specified by the Rules of Execution of Clearing Activities on the Derivatives Market *(this item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010)*.
39. According to the results of execution of trading and clearing sessions, the Exchange provides each Exchange member with an Exchange certificate briefing Exchange members on:
- 1) futures deals concluded by themselves during exchange trading;
  - 2) their claims and liabilities emerging as a result of execution of exchange trading in derivative instruments, in accordance with the Rules of Execution of Clearing Activities on the Derivatives Market.

*(This item has been included by a decision of the Exchange's Board of Directors dated July 29, 2010)*.

40. *(This item has been excluded by a decision of the Exchange's Board of Directors dated July 29, 2010)*.
41. Time required for settlements related to conclusion of futures deals is determined by the Exchange's internal documents *(this item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010)*.

##### **Article 14. Commission Fees Charged by the Exchange**

42. Exchange members pay to the Exchange commission fees on deals in derivative instruments concluded.
43. Amount, procedure for calculation and payment of the Exchange's commission fees are determined by its internal documents.
44. Relations between derivatives market members and their clients regarding payment of commission fees charged by the Exchange are governed by separate trade and settlement services agreements concluded between them *(this item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010)*.

##### **Article 15. Disputes and Disagreement**

45. Disputes and disagreement emerging between Exchange members and the Exchange, as well as between Exchange members with regard to exchange trading in derivative instruments are subject to settlement by way of negotiations *(this item has been amended by a decision of the Exchange's Board of Directors dated July 29, 2010)*.



46. *(This item has been excluded by a decision of the Exchange's Board of Directors dated July 29, 2010).*

President

K. Damitov