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Abbreviations used in the text

ALT	Almaty time (+07:00 GMT)
APF	Accumulative Pension Fund
AVMEKAM	special governmental currency bonds of the Ministry of Finance of the Republic of Kazakhstan (Kazakh)
BB	branch bank
bn	billion
CJSC	Closed Joint-Stock Company
CS	corporate securities
CSD	the CJSC “Central Securities Depository”
DEM	Deutschemark
EUR	common European currency EURO
Fitch	Fitch, Inc.
GFER	gold and foreign exchange reserves
GS	government securities
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
IFI	International Financial Institutions
ISMA	International Securities Market Association
KASE	CJSC “Kazakhstan Stock Exchange” (official abbreviation)
KIBID	indicative average interbank bid deposit rate in Kazakhstan [Kazakhstan Interbank Bid]
KIBOR	indicative average interbank offered deposit rate in Kazakhstan [Kazakhstan Interbank Offered Rate]
KICS	National State Enterprise “Kazakhstan Interbank Settlements Center”
KIMEAN	indicative mean between offered and bid rates on interbank deposits in Kazakhstan [Kazakhstan interbank mean rate]
KCIS	Kazakhstan Center for Interbank Settlements”
KZT	Kazakhstani tenge
LIBOR	short term credit rates, offered by London banks, usually for 3-6 months term [London interbank offered rate]
LLP	Limited Liability Partnership
m	million
MEAKAM	special state treasury bills of the Ministry of Finance of the Republic of Kazakhstan with 10 years maturity (Kazakh)
MEIKAM	state indexed treasury bills of the Ministry of Finance of the Republic of Kazakhstan (Kazakh, inflation indexed)
MEKAM	state treasury bills of the Ministry of Finance of the Republic of Kazakhstan (Kazakh, usually applied to all securities irrespective of maturity term)
MEKAVM	state short-term currency treasury bills of the Ministry of Finance of the Republic of Kazakhstan (Kazakh)
MEKKAM	state short-term treasury bills of the Ministry of Finance of the Republic of Kazakhstan with up to 1 year maturity term
MEOKAM	state mid-term treasury bills of the Ministry of Finance of the Republic of Kazakhstan with 1 – 10 years maturity (Kazakh)
Moody’s	Moody’s Investors Service
NCS	National Securities Commission of the Republic of Kazakhstan
NSE	National State Enterprise
OJSC	Open Joint-Stock Company
PA	Pension assets
PAMC	Pension Assets Management Company
PAPF	Private Accumulative Pension Fund
SAPF	CJSC “State Accumulation Pension Fund”
SBS	state block of shares
SPOT	settlement term, when liabilities on a deal are fulfilled one business day after the deal was concluded second-tier bank (unlike the National Bank of Kazakhstan)
STB	settlement term, when liabilities on a deal are fulfilled on the same day when the deal is concluded (from English “today”)
TOD	settlement term, when liabilities on a deal are fulfilled on the day following the day when the deal was
TOM	concluded (from English “tomorrow”)
USD	US dollar

Whenever the present report does not refer to the sources of the information hereinafter, it suggests the Exchange has employed the data its staff and that of the LLP “Informational Agency on Financial Markets “IR-BIS” collected and systematized as part of their activity.

AUTHORISED CAPITAL AND SHAREHOLDERS

As of the end of 2001 the KASE authorized paid-up capital was **KZT 79,209,360.00**, which was divided into 216 common registered shares with a face value of KZT 366,710.00 each. During 2001 two organizations joined the Exchange, while two withdrew. As a result, the number of shareholders as of January 1, 2002 fell to 28 (Tab. 1).

Table 1. List of KASE shareholders as of January 01,2002

¹ Full official name of KASE shareholder	Stake in authorized capital, %
1 National Bank of the Republic of Kazakhstan institution	25.00
2 BANK CASPIAN open joint stock company	6.48
3 Hauryz Bank Kazakhstan open joint stock company	4.17
4 Kazkommertsbank JSC	3.70
5 KAZAKHSTAN-ZIRAAT-INTERNATIONAL-BANK close joint stock company	4.17
6 HALYK SAVINGS BANK OF KAZAKHSTAN OJSC	3.24
7 Bank TuranAlem open joint stock company	4.17
8 Turkie-Kazakhstan International Bank CJSC	4.17
9 Bank CenterCredit open joint stock company	6.02
10 Subsidiary Joint-stock Bank ABN AMRO BANK KAZAKHSTAN	4.17
11 Almaty merchant bank open joint stock company	3.70
12 International bank Alma-Ata open joint stock company	3.70
13 Kazkommerts Securities open joint stock company	0.46
14 Neftebank open joint stock company	4.17
15 Kazakhstan financial company open joint stock company	0.46
16 FINANCIAL COMPANY GREENWICH CAPITAL MANAGEMENT open joint stock company	0.46
17 INVESTMENT MANAGEMENT GROUP limited liability partnership	0.46
18 Company "CAIFC" close joint stock company	0.46
19 DB SECURITIES (KAZAKHSTAN) open joint stock company	0.46
20 Fondovyi syndicate close joint stock company	0.46
21 RBNT SECURITIES close joint stock company	0.46
22 GLOBAL SECURITIES (KAZAKHSTAN) close joint stock company	0.46
23 KIB ASSET MANAGEMENT Ltd limited liability partnership	0.46
24 CITIBANK KAZAKHSTAN close joint stock company	2.78
25 Senim-Bank open joint stock company	0.93
26 Demir Kazakhstan Bank open joint stock company	2.78
27 R.G. Securities limited liability partnership	2.78
28 Stock Service close joint stock company	2.78
At KASE account on purchased out shares (in connection with losing by shareholders of a professional participant of stock market status)	6.48
TOTAL	100.00

TRADE MEMBERS

Table 2. Change of KASE members number by categories

Member-ship category	As of Jan 01,01	As of Jan 01,02
Category "B"	29	26
Category "C"	6	4
Category "K"	42	43
Category "P"	33	36
Category "H"	20	19
TOTAL	55	52

Category "B"

Excluded from membership in this category: Kazakhstan Industrial Bank OJSC (04.06.01), Business bank OJSC (08.06.01), Central Asian Bank for Cooperation and Development CJSC (26.09.01).

Category "C"

Excluded from Exchange membership in this category: Business bank OJSC (08.06.01), ATERA capital LLP (24.09.01).

Category "K"

Admitted to membership in this category: Kazakhstan Joint-stock Agro-industrial Bank OJSC (15.03.01), Pension Asset Management Company ABN AMRO Asset Management CJSC (02.06.01), FUTURE CAPITAL LLP (28.10.01), Tau Securities LLP (27.12.01), KG Securities LLP (27.12.01)

Excluded from membership in this category: Petrokaz Capital LLP (05.02.01), ATERA capital LLP (04.05.01), Kazakhstan Joint-stock Agro-Industrial Bank OJSC (04.06.01), KBS SECURITIES LLP (12.06.01).

Category "P"

Admitted to membership in this category: Kazakhstan Joint-stock Agro-industrial Bank OJSC (15.03.01), pension asset management company ABN AMRO Asset Management CJSC (02.06.01), Joint Bank Lariba-Bank OJSC (16.08.01), Kazakhstan-Ziraat International Bank CJSC (02.10.01), FUTURE CAPITAL LLP (28.10.01), Tau Securities LLP (27.12.01), KG Securities LLP (27.12.01).

Excluded from membership in this category: Petrokaz Capital LLP (05.02.01), ATERA capital LLP (04.05.01), Kazakhstan Industrial Bank OJSC (04.06.01), KBS SECURITIES LLP (12.06.01).

Category "H"

Admitted to membership in this category: the FUTURE CAPITAL (28.10.01), Tau Securities LLP (27.12.01), KG Securities LLP (27.12.01)

Excluded from membership in this category: ECON-INVESTSERVICE LLP (26.01.01), PETROKAZ CAPITAL LLP (05.02.01), ATERA capital LLP (04.05.01), KBS SECURITIES LLP (12.06.01).

Table 3. List of KASE members as of January 01,2002

Brief name of KASE member	Code of category				
	"B"	"C"	"K"	"P"	"H"
1 Institution «National Bank of the Republic of Kazakhstan»	ü		ü		
2 Bank TuranAlem OJSC	EPP ¹	CKE ²	ü	ü	
3 BANK CASPIAN OJSC	EPP		ü	ü	
4 International bank Alma-Ata OJSC	EPP		ü		
5 SB HSBC Bank Kazakhstan CJSC			ü	ü	
6 ALASH-BANK CJSC	EPP				
7 Demir Kazakhstan Bank OJSC	EPP		ü	ü	
8 CSC BANK OF CHINA KAZAKHSTAN	ü				
9 CITIBANK KAZAKHSTAN CJSC	EPP		ü		
10 NURBANK OJSC	EPP				
11 Kazkommertsbank JSC	EPP		ü	ü	
12 KAZAKHSTAN-ZIRAAT INTERNATIONAL BANK CJSC	ü		ü	ü	
13 Irtysbusinessbank OJSC	EPP				
14 HALYK SAVINGS BANK OF KAZAKHSTAN OJSC	EPP		ü	ü	
15 Turkie Kazakhstan International bank CJSC	EPP				
16 TEMIRBANK OJSC	EPP		ü	ü	
17 TEXAKABANK OJSC	EPP		ü	ü	
18 Bank CenterCredit OJSC	EPP		ü	ü	
19 Tsesnabank OJSC	EPP				
20 NEFTEBANK OJSC	EPP				
21 Subsidiary Joint-stock Bank ABN AMRO BANK KAZAKHSTAN	EPP		ü	ü	
22 Eximbank Kazakhstan CJSC	EPP		ü		
23 Senim-Bank OJSC	EPP				
24 Subsidiary Joint-stock Bank Alfa-Bank	EPP		ü		
25 Eurasian bank CJSC	EPP		ü	ü	
26 AMB OJSC	EPP		ü	ü	
27 SB LARIBA-BANK OJSC	EPP		ü	ü	
28 DB SECURITIES (KAZAKHSTAN) OJSC			ü	ü	ü
29 Kazkommerts Securities OJSC			ü	ü	ü
30 Fondovyi syndicate CJSC			ü	ü	ü
31 Company CAIFC CJSC			ü	ü	ü
32 Kazakhstan financial company OJSC			ü	ü	ü
33 FINANCIAL COMPANY GREENWICH CAPITAL MANAGEMENT OJSC			ü	ü	ü
34 INVESTMENT MANAGEMENT GROUP LLP			ü	ü	ü
35 RSE Information-stocking center					ü
36 RBNT SECURITIES CJSC			ü	ü	ü
37 GLOBAL SECURITIES (KAZAKHSTAN) CJSC			ü	ü	ü
38 KIBASSET MANAGEMENT Ltd LLP			ü	ü	ü
39 R.G. Securities LLP		CTE ³	ü	ü	ü
40 Stock Service			ü	ü	ü
41 PAMC Ak niet CJSC			ü	ü	
42 TuranAlem Securities LLP		CTE	ü	ü	ü
43 Pension assets management company of Halyk Savings Bank of Kazakhstan CJSC			ü	ü	
44 State accumulative pension fund CJSC			ü		
45 PAMC ZHETYSU CJSC			ü	ü	
46 Kazpost OJSC			ü		
47 Central Asian Trust Company LLP			ü	ü	ü
48 Tasbaka Asset management LLP		CTE	ü	ü	ü
49 PAMC ABN AMRO Asset Management CJSC			ü	ü	
50 FUTURE CAPITAL LLP			ü	ü	ü
51 Tau Securities LLP			ü	ü	ü
52 KG Securities LLP			ü	ü	ü
Total	26	4	43	36	19

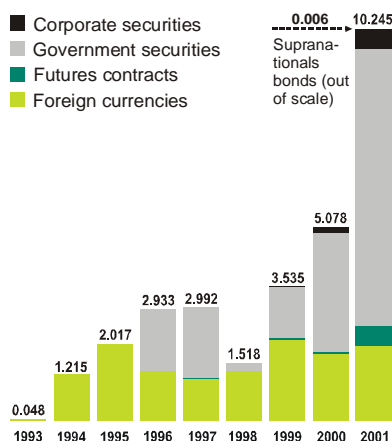
¹ Participant of Early Payment Processing – payments using urgent delivery method.

² Clearing member on future contracts.

³ Trading member on future contracts.

VOLUME AND STRUCTURE OF THE STOCK EXCHANGE MARKET

Figure 1. Dynamics of turnover structure and volume of exchange market of Kazakhstan for last nine years (billion USD)

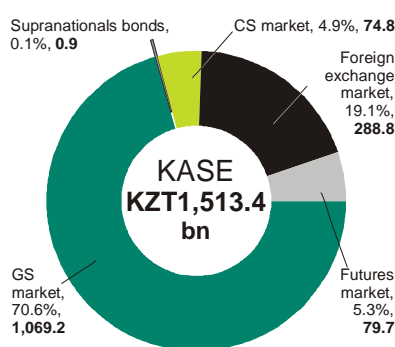


During the year of 2001, the KASE organized trades involving foreign currencies, Governmental Securities (GS) (including bonds of local executive bodies, which will subsequently be called 'municipal'), corporate securities, bonds of the IFI (International Financial Institutions), and futures foreign exchange contracts. The Stock Exchange conducted initial public offerings of municipal and corporate bonds and preferred stock of companies. Participants of GS and CS sectors had an opportunity to conclude repo-transactions by the direct trading method using specialized floors in both sectors. Additionally, in the second half of the year, the KASE opened a specialized repo sector, in which GS were used as an underlying asset and the cash trades were carried out by the main method of the Exchange – open trade. This sector is called automated repo. During the reporting year the Exchange, by direction of market participants and based on their quotes, regularly computed the indicators of Kazakh interbank deposits - KIBOR, KIBID and KIMEAN for different offering (bidding) terms. Market condition was characterized on a daily basis by means of a series of indices-indicators, which in 2001 were calculated regularly: KASE_Shares, KASE-EP, KASE-EC, KASE_EY, KASE_BP, KASE_BC, KASE_BY, TONIA.

During the reporting year the organized financial market of Kazakhstan developed significantly, fully reflecting the successful economic development of the country. The volume of exchange transactions was not only historically the highest but was also characterized by the highest rate of growth. It should be noted that the volume of KASE transactions over the reporting period was larger than for the three proceeding years taken aggregately and, in comparison to 2000, it increased by 2.09 times in tenge and by 2.02 times in dollar equivalent (Tab.4), having reached \$1,513.4 billion tenge or \$10,244.7 mln. Taking into consideration the effective evaluation of Kazakhstan's GDP by the Agency on Statistics, the turnover figure amounts to 39.6% of GDP. In 2000 the relevant figure did not exceed 27.9% and in 1999 – 21.9%.

As is obvious from the graph (Fig.1) the development of the Exchange market was in the direction of an increase in trade of securities. In comparison with 2000 their portion in the turnover increased from 64.3% to 75.7%. In absolute money terms the increase in securities reached KTZ678.2 billion or \$4,494.4 mln tenge.

Figure 2. Volume and structure of exchange market of Kazakhstan in 2001 (billion tenge)



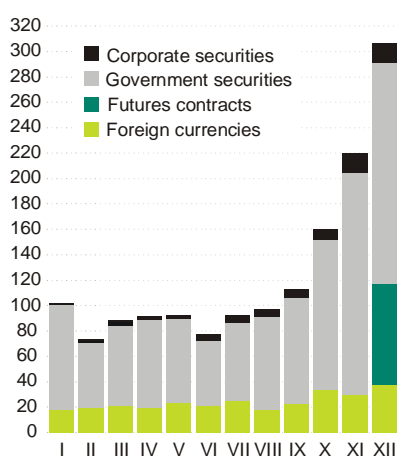
The CS market developed dynamically, not taking into account futures contracts, which still could not be considered as established. In comparison with 2000, the CS market of the KASE increased by 3.65 times. The highest portion of CS transactions is sale – purchase operations in which corporate issuers' bonds play a leading role (Tab.5). At the same time the CS market as a portion of total Exchange trading still remains insignificant. In 2001 it did not exceed 4.94 % although it increased from 2.72% in 2000. The reasons for the relative sluggishness of CS trading remain the same and lie in the underdevelopment of the equities market, although, during the reporting year definite progress can be traced owing to an increase by several companies in volumes of preferred stock issued, and are also a result of the sale by the Ministry of Finance of the governmental block of shares of Kazakhmys Corporation OJSC on the open market.

A quickly developing CS market cannot help but draw attention to itself, the volume of which increased in comparison to 2000 by 2.32 times. The growth of the activity of the GS market was due mainly to an increase in repo-deals, out of which, recently, the more popular are automated repo transactions. Despite the fact that trades on this floor were opened August 1, 2001, the volume of automated repo transactions was comparable to the volume of the US dollar mar-

Table 4. Comparative data on turnover at KASE and its structure in 2000 and 2001 years

Market sector	bn KZT										m USD	
	2000		2001		Trend		2000		2001		Trend	
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%
Sector of foreign currencies	248.5	34.3	288.8	19.1	+40.3	+16.2	1,743.4	34.3	1,961.9	19.2	+218.5	+12.5
Sector of GS	446.9	61.6	1,069.2	70.6	+622.3	+139.3	3,129.0	61.6	7,250.2	70.8	+4,121.2	+131.7
Sector of CS	19.7	2.72	74.8	4.94	+55.0	+278.7	138.5	2.73	505.8	4.94	+367.3	+265.2
Sector of futures	10.0	1.38	79.7	5.27	+69.7	+696.4	66.9	1.32	520.9	5.08	+454.0	+679.0
Supranational bonds	0	0	0.9	0.06	+0.9	-	0	0	5.9	0.06	+5.9	-
TOTAL	725.2		1,513.4		+788.2	+108.7	5,077.8		10,244.7		+5,166.9	+101.8

Figure 3. Dynamics of turnover structure and volume of exchange market in 2001 (billion tenge)



ket. The popularity of repo transactions is the result of three factors: an increase in the cash base (of 30.2%); the quick growth of the resource base of banks and their assets; a continuously increasing supply of cash from pension market participants.

In general, the structure of KASE turnover did not change significantly in the reporting year as compared to 2000 (Fig.2). As previously, the most active segment was the GS market. The foreign exchange sector is in second place. Its volume increased somewhat due to an increase in the KASE foreign currency sales volumes of exporters and the intensification of the activity of importers who mainly imported so-called investment goods into the country. The latter is the result of the fast growth in production in the relatively underdeveloped field of machine building import substitution.

The dynamics of the volume of transactions on the KASE on a monthly basis appeared to be traditional and similar to those of 2000. Owing to the seasonal factor, the most active trades were conducted in the fourth quarter - particularly in December (Fig 3). This was achieved mainly owing to growth in the repo market and the large volume of transactions in December with futures foreign exchange contracts.

The most active participants in the exchange market of Kazakhstan in 2001 were:

1. Bank TuranAlem OJSC (19.3 of total Exchange operations) – a leader in foreign exchange and GS market, the KASE market-maker for the US dollar and the Russian ruble;
2. AMB OJSC – 10.5%;
3. Halyk Bank of Kazakhstan OJSC (6.7%)
4. KAZKOMMERTSBANK OJSC (6.5%)
5. State Accumulation Pension Fund CJSC (6.4%).

In 2001 one would have to mention: TuranAlem Securities LLP – a leader in the volume of CS transactions; Stock Service CJSC – the most active participant in initial CS offerings; Kazkommerts Securities OJSC – the financial advisor to issuers who placed huge volumes of the most liquid corporate securities on the market.

Table 5. Detailed structure of KASE turnover in 2001 (m USD, %)

Segment of exchange market	Total structure		Sector structure of turnover			Instrumental structure of turnover		
	volume	stake	sector	volume	stake	instrument	volume	stake
Bonds of supranationals	5.9	0.06	purchase-sale	5.9	0.06	bonds	5.9	0,06
Corporate securities	505.8	4.9	primary floatations	46.8	0.5	shares	0.7	0,01
			SBS	65.2	0.6	bonds	46.1	0,5
			purchase-sale	203.8	2.0	shares	65.2	0,6
						bonds	81.1	0,8
			REPO transactions	190.1	1.9	bonds	122.6	1,2
Government securities	7,250.2	70.8	primary floatations	38.3	0.4	shares, bonds	190.1	1,9
			purchase-sale	1,498.2	14.6	municipal GS	38.3	0,4
						Kazakhstan euronotes	706.8	6,9
						MEKAM	609.9	6,0
						NB notes	160.7	1,6
						municipal GS	20.8	0,2
			REPO transactions	5,713.8	55.8	instruments of "direct repo"	3 973.5	38,8
						instruments of automatic repo	1 740.3	17,0
Futures contracts	520.9	5.1	purchase-sale	520.9	5.1	futures for \$1000	520.9	5,1
Foreign currencies	1,961.9	19.2	purchase-sale	1,961.9	19.2	DEM	0.020	0,0002
						EUR	0.305	0,003
						RUR	3.31	0,03
						USD	1,958.3	19,1
TOTAL	10,244.7	100.0		10,244.7	100.0		10,244.7	100,0

CORPORATE SECURITIES MARKET

According to information from the NBK Securities Market Regulation Department⁴ the aggregate volume of the Kazakhstan OTC CS market for the reporting year amounted to KZT 20,682,648.7 thousand, i.e. 21.7% of the total market. The volume on the KASE, as shown above, reached KZT74,784,415.4 thousand in comparable transactions for this period. According to information from the Department, the OTC deals mainly represented initial securities offerings, the volume of which equaled KZT19,564,503.7 thousand. The remaining turnover is composed of small transactions related to purchase from the population of CS by broker-dealers.

As was stated in this report⁵, in 2001 the CS exchange market developed more dynamically in comparison with other KASE segments. An analogous trend was traced in 2000. However, the rate of growth in the reporting year was significantly higher. This was due to a number of factors. The investment quality of the majority of securities issuers who passed the Stock Exchange listing procedure, based on performance, increased (Tab. 11 and Tab. 12). Simultaneously, this was upheld by the credit ratings of leading global agencies and the positive credit histories of the listing companies, which had no defaults. The assets of the main institutional investors of the Republic – banks and pension funds – continued to grow rapidly. This required new objects to invest in, mainly represented by corporate securities, because the volume of the Ministry of Finance borrowing on the GS market was gradually decreasing. The pursuit of second-tier banks to increase and elongate the funding base resulted in the necessity of issuing midterm securities, and the observance of NBK capital requirements resulted in the placement of subordinate loans, the proportion of which, in comparison to 2000, increased significantly. The rapid decline in GS yield in spring 2001 led to an increased interest in corporate securities from all types of investors. This resulted in a drop in the price of borrowings on the Stock market, which also contributed to its development. The reporting period demonstrated significant progress in the “blue chip” program, as, in 2001 the Ministry of Finance agreed to the sale of the governmental block of shares of Kazakhmys Corporation OJSC by means of open auction on the KASE.

Additionally, the CS market, as before, could not avoid the “disease” of 2000. It developed in the same direction – bond market expansion. Only by the end of the year did issuers start to pay increased attention to the issuance and placement of preferred stocks. But to speak of this trend as an established one is premature. The stock market is still narrow and absolutely separated in terms of values from issuers’ activities. Despite the availability of exchange market makers, the low liquidity of shares still deters potential investors. The shares are considered by them, at best, as an instrument for carrying out repo transactions.

THE STOCK EXCHANGE LISTING

During the past three years the structure of a KASE securities listing did not undergo any changes. As of January 2002 the five CS listings, allowing for trade, are:

- official listing, category “A” (listing A);
- official listing, category “B” (listing B);
- “Non-listed securities” trade sector, first level of admittance;
- “Non-listed securities” trade sector, second level of admittance;
- listing of state blocks of shares.

Listing requirements

In 2001 the Exchange proceeded to modify listing requirements.

In January, amendments and additions were incorporated into the “Securities Listing Regulation”, effective as of April 1, 2001. The 500-shareholders requirement, or the availability of marketable securities with a face value of not less than the equivalent of USD one million in KZT, was excluded from the requirements for listing companies in the official “A” category listing. The corresponding requirement for more than 100 shareholders or nominal holdings of securities allowed to be listed of an amount not less than the equivalent of USD 500

⁴ National Bank of the Republic of Kazakhstan: Information on RK securities market status in 2001.

⁵ Chapter “The Volume and Structure of the Kazakhstan Exchange market”.

thousand in KZT was abolished for the “B” category. Alterations to the requirements applied to bond issuers in the official “A” category listing were related to the form of the legal entity. In accordance with the new requirements, the bond issuer should be registered either in the form of a closed or open joint-stock company, or in the form of a national state enterprise. Previously the bond issuer could be a limited liability partnership.

Besides changes to listing requirements, other additions and amendments were incorporated into the new edition of the “Securities Listing Regulation”, which took force in April of 2001. In particular, the list of documents which an initiator of inclusion of securities into the official listing was required to present to the Exchange was modified. The procedure for suspension of securities trading was determined. A requirement for quarterly presentation to the KASE by issuer banks of prudential norms, designed in accordance with NBK rules, was implemented. Exchange requirements for listing companies were modified with regard to auditing financial business activity, etc.

On January 1, 2002 listing requirements came into force on the KASE, which were put into operation on April 1, 2001. (Tab.6 and Tab. 7).

KASE Market-Maker Institute

Within the context of requirements which the Exchange makes of official listing security issuers the KASE Market-Maker Institute, which was developed further in 2001, deserves special attention. Though the CS market of Kazakhstan is narrow, market-makers are an essential component of the exchange market, insomuch as, by their continuous and mandatory quotations of securities for sale and purchase, they assure the necessary liquidity level of the financial instruments. The latter is essentially important for the “A” category securities that non-Governmental Accumulative Pension Funds are allowed to work with.

Two types of market-makers worked at the Exchange during the year: namely market-makers and securities specialists. The latter represent the market-makers, to whom the most strict requirements on mandatory quotation spreads are applied. For market-makers the spread size shall not be more than 100% of the purchase price; for specialists it shall be not more than 3%. Therefore the Exchange modified its regulatory base in a way that allowed the creation of the most favorable conditions for trade operations by listing securities specialists.

Of the most substantive changes to the CS market-makers' work regime on the KASE in 2001, two are the most significant.

On February 1, 2001, the new edition of the first Supplement to the Rules of market-makers' activity on the KASE was put into force – “Specifications of Market-makers' Status for Exchange Members in the “P” and “H” Categories”. From that date on, one or more market-makers and one or more specialists could be signed onto one security on the KASE. Under the previous specification edition, there could be only one security specialist and, when any KASE member was

Table 6. Listing requirements of KASE to issuers as of Jan 01,02

Official list, category “A”	
Independent auditor	from “Big five”
Number of issued shares	not less than 10,000 units
Deals volume for last 12 months:	not less than 0.5% of total number of shares declared to an issue
	not less than 3 years
Term of the company's existence:	for last year or by the sum of three years confirmed by an auditor
Profitability of activity:	from “Big five”
Shareholders' equity:	not less than an equivalent of \$10m (exception that doesn't concern financial organizations, for intensively developing companies – not less than \$5 m)
Indebtedness on dividends:	must be absent
Indebtedness on issued bonds:	must be absent
Participation in insurance system of deposits:	mandatory only for banks
Availability of shares market-maker:	mandatory
Official list, category “B”	
Term of the company's existence:	not less than 1 year
Number of issued shares	not less than 1,000 units

⁶ If market-maker is not able to meet its obligations in full (according to amendments and modifications made by Regulation on operation activity of securities trades organizers dated 12.02.01).

⁷ According to special decision of the Exchange Council – not less than 2 years.

Table 7. Listing requirements of KASE to bonds issuers as of Jan 01,02

Official list, category "A"	
Registration form of legal entity:	CJSC, OJSC, RSE (not distributed on special enterprises) from "Big five"
Independent auditor:	equivalent of \$100 th., at that not less than 1,000 bonds
Minimal issue volume:	not less than 3 years
Term of company's existence:	for last year or by sum of three years confirmed by auditor from "Big five"
Activity profitability:	
Shareholders' equity:	not less than an equivalent of \$10m (exception that doesn't concern financial organizations, for intensively developing companies – not less than \$5m)
Debts on dividends:	must be absent
Debts on issued bonds:	must be absent
Participation in deposits insurance system:	mandatory only for banks
Bonds market-maker availability:	mandatory
Official list, category "B"	
Term of the company's existence:	not less than 1 year
Minimal volume of an issue:	equivalent of \$10 th., at that not less than 100 bonds

Table 8. Dynamics of KASE listing structure

Admittance category	As of 01.01.01 securities	As of 01.01.02 issuers	As of 01.01.02 securities	As of 01.01.02 issuers
A	25	14	43	23
B	14	9	14	10
A+B	39	23	57	33
N1	1	1	-	-
N2	41	30	39	29
N1+N2	42	31	39	29
TOTAL	81	54	96	62

A: official list, category "A";

B: official list, category "B";

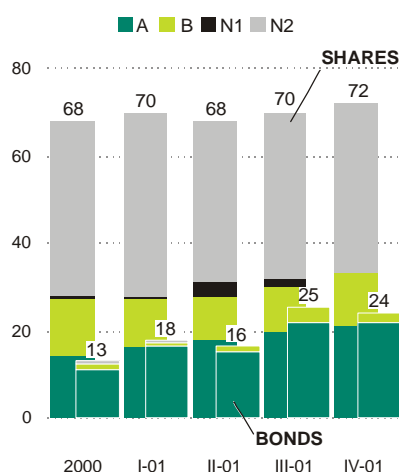
A+B: official list;

N1: sector "Non-listing securities", first admittance level;

N2: sector "Non-listing securities", second admittance level;

N1+N2: sector "Non-listing securities".

Figure 4. Number of CS admitted to trades in 2001 (as of the period end)



granted the status of specified security specialist, the KASE member market-makers for that security would automatically lose their status. The new specification intends that, from the moment of specified security specialist status activation, the market-makers of that security would automatically lose benefits related to the payment of a commission fee and would automatically receive the benefits upon the loss of status by the last of those security specialists. The new specification edition was also added to by a particular article that regulated the procedure for exempting specialists and market-makers from the execution of their obligations. In particular, in the event of the occurrence of circumstances as a result of which specialists and market-makers could suffer significant financial losses upon execution of their obligations, the KASE should have the right to temporarily exempt them from the execution of such obligations.

The Exchange approach to market-makers, implemented in the Specification, was fruitful. During the year, the number of specialists at the KASE (on certain securities) increased from 3 to 12, which indisputably contributed to the narrowing of spreads over the market in general. Based on the year results, the most tradable CS's at KASE proved to be those instruments the specialists worked with at the Exchange site. As of December 31, 2001, the obligations of the specialists on these and other securities were fulfilled by four KASE members: Kazkommerts Securities OJSC, TuranAlem Securities LLP, Bank TuranAlem OJSC, and AMB OJSC. At that time, the first issue bonds of National Oil Company KAZAKHOIL CJSC had two specialists, and the Euronote of TuranAlem Finance B.V. and the first issue bonds of KazTransOil CJSC had three specialists each.

The second important innovation of the reporting year was the putting into force as of February 12, 2001 of NSC Resolution No.96 of January 11, 2001 "On an amendment to the Resolution of the National Securities Commission of the Republic of Kazakhstan "On approval of the Rules for carrying out activity by securities trades managers of December 23, 1998 No. 19". According to the old edition of the Rules, the securities trade organizer - the KASE - was obliged to delist an issuer's shares if, over a year, the volume of transactions of such shares did not exceed 0.5% of the total quantity declared at issue. In the new edition, the given requirement was not applied to shares which were quoted by the market-maker at the Exchange, provided that he performed such functions in compliance with the above mentioned Rules and internal KASE documents.

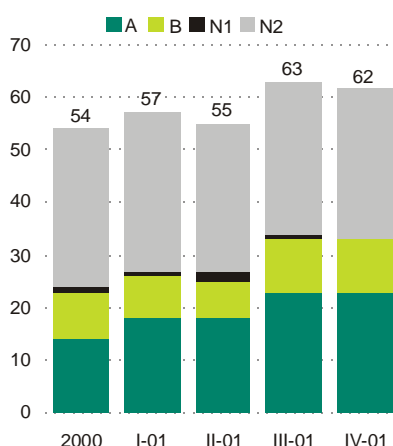
Structure of Trade Listing

Securities

Altogether, the KASE trade listing included 96 securities of 62 issuers as of December 31, 2001. The number of securities increased over the year by 18.5%, the number of issuers – by 14.8%. More detailed information on the dynamics of the securities listing structure, without taking into account the governmental block of shares, is given in Table 8 and in the diagrams (fig. 4 and 5).

The most essential tendency of 2001, as well as of the previous year, was the expansion of the securities list by means of the official "A" category listing, as only this category opens access by issuers to non-governmental Accumulation Pension Funds' assets. Based upon the year's results, it was possible to state that

Figure 5. Number of issuers whose securities are admitted to CS trades in 2001 (as of the period end)



this was the essential reason and, maybe, the only one that compelled issuers to make their securities subject to the KASE listing in the highest category. Thus the number of “A” class financial instruments increased during the year by 72%, the number of issuers – by 64%. At the same time an expansion of the number of instruments in the “B” category listing was not observed at all, and the number of issuers increased by only one (Tab. 8). It was noticeable that supplementation of the “A” category listing was basically accomplished by means of upgrading the category of securities subject to trade under the “B” category in 2000 (shares of Astana-Finance OJSC, Kazakhmys Corporation OJSC and VALYUT-TRANSIT BANK OJSC). A decrease in all factors was observed in the reporting year on the “non-listing securities” sector.

In 2001 the official “A” category listing was extended by means of bonds and preferred shares, i.e. such securities which would be of interest to Pension Funds. During the year 11 new bond issues on the KASE under the “A” category, 10 issues – in 2000. It should be taken into account that four bond issues were redeemed in the “A” category securities official listing during 2001, and one issue was redeemed in 2000. Five of eight shares that supplemented the “A” category list were preferred shares.

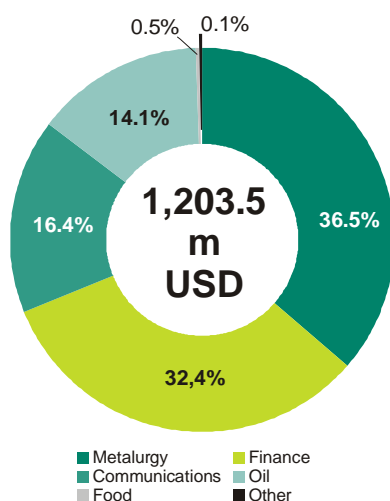
Everything mentioned above certifies that the aspiration of issuers to obtain access to the continuously growing assets of non-governmental state Accumulation Pension Funds may be considered as the essential tendency of 2001 in the stock market. In this regard, two objectives were pursued: an increase in capitalization by means of placement of preferred shares and subordinate bonds⁸; and the attraction of the relatively cheap and long-term monetary resources of pension funds.

A significant difference in 2001 from the three previous years is that the number of tradable securities on the KASE was increased by means of the official list. This practice showed that bringing by the broker of any financial instrument to the Exchange in the sector “non-listing securities” did not result in an increase in the liquidity of that security, or in an increase in the “transparency” of its issuer. It will be shown below that a share of the turnover from transactions with non-listing securities on the KASE in the sale and purchase sector declined to a minimum in 2001 and did not exceed 2.0%. In 2000 this factor equaled 5.0%.

The official KASE securities list as of January 1, 2002 is given in the tables (Tab. 9 and Tab. 10).

Capitalization of the equity market

Figure 6. Structure of trade lists of KASE shares (capitalization)



Since July 1, 2001, the KASE has changed the accounting treatment of capitalization of the equity market. If, before the specified date, the value of that factor corresponded to the amount of market value of all companies the shares of which were included in any KASE securities lists then, after July 1, only companies the shares of which were included in the official list (“A” and “B” category) would be considered. Capitalization of equities subject to trade in the “non-listing securities” sector shall not be taken into consideration any longer in the factor of equity market capitalization. The change was implemented by the Exchange to increase the representationality of the equity market capitalization indicator.

As quotation of equities on the KASE was carried out in USD during the year, capitalization of companies was calculated daily in that currency. In the event of the absence of transactions with any security, its nominal value was expressed in USD at the current exchange rate.

During 2001 the equity market capitalization factor, calculated on the basis of the new method, grew from \$808.6 million to \$1203.5 million, i.e. by 48.8%. The share of “A” category official list increased from 61.0% to 86.9%, and the share of “B” category decreased from 39.0% to 13.1%. The latter may be explained by the fact that the “A” category official list in 2001 was basically supplemented by means of an increase in equity category of the “B” list. In 2000, a reduction of official list companies capitalization by 22.7% was observed.

A decisive influence during the reporting year on the growth of capitalization of the described market segment was exerted by a local factor – sale on the KASE on November 19 and 20, 2001 of the state block of shares of Kazakhmys Corporation OJSC (Zhezkazgan). The new price of common shares, fixed in accordance

⁸ Four of seven new bonds issued by the banks are subordinate.

Table 9. Official list of KASE securities (bonds) as of January 01,2002

Issuer	Code (amount)	Included into lists	Face value of the issue m USD	Last clean price or face value, %	Market capitalization m USD	Stake of the issue in capitalization
Official list, category "A"	(22)		581.4		572.968	99.7
Almaty Kus OJSC	ALKSb2	24.07.01	20.0	92.9197	18.584	3.2
Astana-finance OJSC	ASFb1	02.07.01	10.0	97.8238	9.782	1.7
Bank TiranAlem OJSC	BTASb1*	19.02.01	20.0	104.5000	20.900	3.6
TuranAlem Finance B.V.	BTASe1	19.07.01	100.0	100.1900	100.190	17.4
Bank CenterCredit OJSC	CCBNb1*	15.12.00	4.5	101.6600	4.575	0.8
BANK CASPIAN OJSC	CSBNb1	19.07.01	15.0	97.6863	14.653	2.5
HALYK SAVINGS BANK OJSC	HSBKb*	27.06.00	16.0	103.0000	16.480	2.9
Karazhanbasmunai OJSC	KARMB1	08.12.00	20.0	100.0000	20.000	3.5
Kazkommertsbank JSC	KKGBe2*	27.12.00	20.0	100.0000	20.000	3.5
DAGOK Kustanaiasbest OJSC	KZASb1	12.02.01	6.0	102.9500	6.177	1.1
NOC KAZAKHOIL OJSC	KZOLb	19.05.00	25.0	99.2800	24.820	4.3
Kazakhtelecom	KZTKb1	02.04.01	25.0	99.9703	24.993	4.3
KazTransOil CJSC	KZTOb	20.10.00	30.0	99.7700	29.931	5.2
	KZTOe1	27.08.01	150.0	96.0000	144.000	25.0
RG Brands OJSC	RGBRb2	05.02.01	4.0	100.6664	4.027	0.7
SHAKHARMUNAIGAS OJSC	SMGZb1	19.01.01	30.0	98.0000	29.400	5.1
SHNOS OJSC	SYRb1	05.03.01	25.0	98.4343	24.609	4.3
Temirbank OJSC	TEBNb	07.08.00	5.0	99.9676	4.998	0.9
	TEBNb2*	11.09.01	5.9	100.0500	5.903	1.0
Kazakhstan Temir Zholy RSE	TMJLb2	10.07.01	30.0	96.5513	28.965	5.0
TEXAKABANK OJSC	TXBNb1*	25.09.01	10.0	100.0000	9.987	1.7
VALUYT-TRANZIT BANK OJSC	VTBNb1	04.10.01	10.0	99.9500	9.995	1.7
Official list, category "B"	(2)		2.0		2.000	0.3
AtMGG OJSC	AMGGb1	10.07.01	1.0	100.0000	1.000	0.2
SB LARIBA BANK OJSC	LARIB1	15.08.01	1.0	100.0000	1.000	0.2
Total on bonds	(24)				574.968	100.0

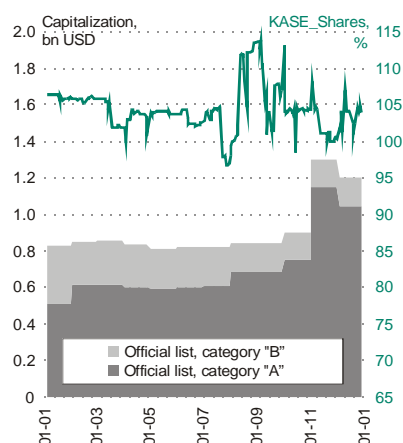
* - subordinated bonds

Table 10. Official list of KASE securities (shares) as of January 01,2002

Issuer	Code (amount)	Secu- rity	Included into lists	Last price or face value	Capitalization	
					m KZT	m USD
Official list, category "A"	(21)				158,645.5	1,045.784
Almaty Kus OJSC	ALKS	C	03.04.00	*0.0663	765.1	5.043
	ALKSp	P	03.04.00	*0.0663		
	ALKSp3	P	24.07.01	*0.0663		
Astana-finance OJSC	ASFI	C	17.01.00	6.632	1,819.3	11.993
AMB OJSC	ATFBp	P	11.06.01	6.760	410.2	2.704
Bank TiranAlem OJSC	BTAS	C	09.09.99	99.10	19,348.4	127.544
Bank CenterCredit OJSC	CCBN	C	28.06.99	1.1053	2,568.2	16.930
HALYK SAVINGS BANK	HSBK	C	29.07.98	1.2200	10,035.8	66.156
Kazkommertsbank JSC	KKGB	C	16.10.97	0.4500		140.681
	KKGBp	P	28.12.01	*0.0663	21,341.2	
Corporation Kazakhmys OJSC	KZMS	C	13.05.98	61.000		318.758
	KZMSp	P	13.05.98	100.000	48,355.7	
Kazakhtelecom	KZTK	C	16.10.97	17.030		197.910
	KZTKp	P	16.10.97	9.800	30,023.0	
SHNOS OJSC	SYRG	C	16.10.97	1.6300		100.943
Temirbank OJSC	TEBN	C	08.10.98	1.095	15,313.0	1.556
	TEBNp	P	08.10.98	*6.625	236.0	
UKTMK OJSC	UTMK	C	16.10.97	35.000		38.848
	UTMKp	P	16.10.97	45.0000	5,893.2	
VALYUT-TRANZIT BANK OJSC	VTBN	C	19.05.00	2.6617		16.719
	VTBNp	P	19.05.00	2.3033	2,536.2	
Official list, category "B"	(12)					157.727
Aluminum of Kazakhstan OJSC	ALKZ	C	16.10.97	0.5445	23,877.8	30.975
	ALKZp	P	16.10.97	0.3975	4,699.0	
Bayan-Sulu OJSC	BSUL	C	16.10.97	0.3600		1.328
TNK Kazkhrom OJSC	KZCR	C	16.10.97	6.786	201.4	50.255
	KZCRp	P	16.10.97	2.318	7,623.7	
Mangistaumunaigas OJSC	MMGZ	C	16.10.97	*6.625		68.393
	MMGZp	P	16.10.97	3.1500	10,325.9	
Neftebank OJSC	NFBN	C	15.04.98	7.500		5.088
Insurance company SAYA OJSC	SAYA	C	27.08.01	6.730	771.8	0.686
SHNOS OJSC	SYRGp	P	16.10.97	*0.0066	104.1	0.003
Zhyluenergiya OJSC	ZHEN	C	07.11.01	16.580	0.4	0.999
	ZHENp	P	07.11.01	16.840	151.5	
Total on shares:	(33)					1,203.511

Note to the table: C - common inscribed share, P - privileged inscribed share, prices in USD per share; prices that are taken as a face value are marked with asterisk (no deals were made on these shares).

Figure 7. Change of KASE shares market capitalization and price indicator KASE-Shares



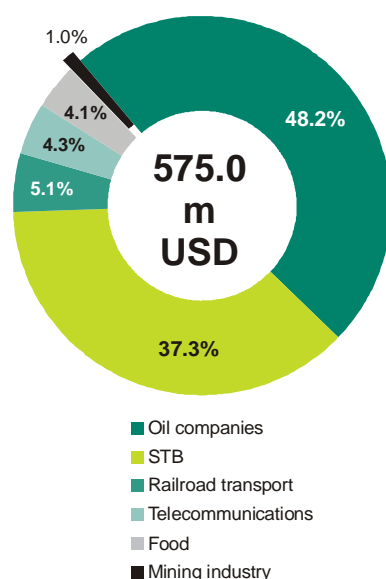
with the results of an auction of 10% of the state block of shares, immediately resulted in the growth in capitalization of the companies of the official list of the Exchange by 37.7% or \$391.5 million. The price of preferred shares of the Kazakhmys Corporation OJSC, appearing after that, played a definite role. The change in prices of other shares did not significantly affect the capitalization factor during the year. The change in the KASE-Shares index is shown in Fig. 7 as the price indicator. This indicator did not directly relate to the prices of deals made. Rather, it reflected the dynamics of quotation by market-makers of shares for purchase. However, it could be used as an illustration of the low correlation between the price of demand and the summary capitalization of the company, because the quotations tracked price dynamics in general.

The example of a state block of shares of Kazakhmys Corporation OJSC demonstrates that the majority of the shares of the most interesting listing companies are undervalued on the Exchange. When talking about the strategic interests in companies and large blocks of shares, the real prices may be significantly higher than the ones registered to date on the secondary market.

The already traditional narrowness of the Kazakhstan equity market, and its detachment from the real status of its issuers, was demonstrated by the activity indicators of listing companies for 9 months of 2001 (Tab. 11 and Tab. 12)⁹. According to the data, the equity prices should have grown rapidly throughout the whole year. However, this did not happen, because the dynamics of prices reflected certain aspects of financial market conditions (the liquidity level, the dynamics of the tenge to dollar rate, any events that required reallocation of large amounts of money between different financial groups and within them). As will be shown below, equity prices during 2001 were extremely unbalanced, changed in wide ranges, and in no way depended upon the financial status of the issuers and the activity of factors which were able to affect them.

Capitalization of the bond market

Figure 8. Structure of trade lists of KASE bonds (capitalization)



By the end of 2001 the total capitalization of the exchange market for corporate bonds was evaluated at a nominal value of USD 575.0 million or KZT 896.8 billion at the exchange rate. During the year that indicator increased by \$398.8 million or 3.3 times. The corresponding growth parameters in 2000 amounted to \$146.3 million or 5.8 times. In nominal terms, debt capitalization of the given market segment grew to \$583.4 million during the reporting period. The data produced certify that the exchange market for corporate bonds developed dynamically in 2001.

As earlier, the admission of new bonds to the list of KASE securities, but not the prices of securities already being traded, significantly affected the capitalization indicator. Ninety nine point six percent of the total growth of capitalization in the reporting year was ensured through the passage of new issues through the listing procedure under the "A" category. In this case, banks accounted for 35.6% of the increase in market volume. Out of new bonds introduced by second-tier banks in 2001, 24.3% were subordinate in nominal terms of debt.

The structure of the KASE bonds official list as of January 1, 2002 is shown in Table 9. As of the date specified, second-tier banks accounted for 37.3%, in nominal terms, of the general volume of corporate debt (\$217.4 million, including \$76.4 million or 13.1% for midterm securities, and \$1 million or 0.2% for mortgage bonds). And the oil companies (including exploration, extraction, refinery, and transportation of oil and gas) accounted for 48.2% (\$281.0 million). The remaining 14.6% was controlled by railway transport (5.1%), telecommunication (4.3%), food industry (4.1%) and mining industry (1.0%).

CORPORATE SECURITIES TRADES

The CS exchange market grew rapidly during the reporting year. As compared to 2000, its volume increased by 3.65 times (by 265.2%) in dollar and by 3.79 times (by 278.7%) in tenge equivalent. In this case, the volume of initial offering increased by 2.48 times (by 148.4% or by \$27.9 million), the secondary trading sector increased by 2.75 times (by 175.5% or by \$171.3 million), the volume of transactions in the repo sector increased by 8.62 times (by 762.5% or by \$168.0 million). The given data prove that, in absolute monetary terms, the growth of

⁹ Data with regard to all companies whose securities were traded on the KASE official list in 2001 are given.

the CS exchange market was basically determined by the increase in the stocks and bonds secondary trading sector, but the CS repo sector was characterized by the greatest rate of growth.

PRIMARY MARKET

The Exchange regulatory base that regulates the procedure for carrying out auctions in this market sector did not actually change.

Regardless of the highest volume of transactions carried out, in general, the share of the Exchange sector of initial offerings in the reporting year was significantly reduced, relative to 2000, from 13.6% to 9.2%. If 8 initial offerings took place on the Exchange in 2000, then only 4 took place in 2001. Three of them concerned the first issue of corporate bonds by Astana-Finance OJSC (ASFIb1), the Kazatelecom first issue (KZTKb1), and the second issue of Kazakhstan Temir Zholy NSE (TMJLb2), and one of them concerned the sixth issue of preferred shares by AMB OJSC (ATFBp). The initial offering through the KASE was used by issuers and their financial advisors as an additional instrument. The basic volumes of primary placements, according to practices in place, took place outside the Exchange.

To assist the organized CS primary market in 2001, the Exchange proposed various methods offering securities to issuers. For example, the Astana-finance OJSC offered its bonds on the Exchange through a financial agent, the Fondoviy Service CJSC from July 3-6, 2001. The offering was carried out daily using the basic KASE method, the open counter auction method. But applications for sale

Table 11. Indicators of listing companies activity of financial sector for 9 months of 2001 (billion tenge)

Issuer	Assets			Shareholders` capital			Net income		
	As of Oct 01,00*	As of Oct 01,01	Trend	As of Oct 01,00	As of Oct 01,01	Trend	As of Oct 01,00	As of Oct 01,01	Trend
Astana-finance OJSC	14.543	9.276	-5.267	1.410	2.222	+0.812	-0.317	0.063	+0.380
AMB OJSC	17.838	28.751	+10.913	1.912	2.922	+1.010	0.420	0.508	+0.088
Bank TuranAlem OJSC	75.555	135.970	+60.415	8.454	12.848	+4.394	1.337	1.935	+0.598
Bank CenterCredit OJSC	17.027	27.669	+10.642	1.726	2.501	+0.775	0.065	0.298	+0.233
BANK CASPIAN OJSC	6.836	12.962	+6.126	1.085	1.553	+0.468	0.067	0.256	+0.189
Halyk Bank of Kazakhstan OJSC	76.330	116.320	+39.990	5.596	8.227	+2.631	0.157	0.407	+0.250
Kazkommertsbank JSC	75.220	158.146	+82.926	14.016	17.426	+3.410	2.320	2.831	+0.511
SB LARIBA BANK OJSC	1.275	1.817	+0.542	0.809	1.062	+0.253	0.109	0.126	+0.017
Neftebank OJSC	2.478	3.596	+1.118	1.016	1.163	+0.147	0.011	0.009	-0.002
Insurance company SAYA OJSC	-	0.127	-	-	0.106	-	-	0.000	-
TEMIRBANK OJSC	12.897	18.192	+5.295	1.996	2.138	+0.142	0.165	0.303	+0.138
TEXAKABANK OJSC	3.378	5.229	+1.851	1.001	1.101	+0.100	0.091	0.056	-0.035
VALUYT-TRANZIT BANK OJSC	5.446	8.248	+2.802	1.534	2.567	+1.033	0.081	0.311	+0.230
TOTAL	308.823	526.303	+217.480	40.555	55.836	+15.281	4.506	7.103	2.597
			+70.4%			+37.7%			57.6%

Table 12. Indicators of activity of listing companies - non-financial organizations for 9 months of 2001 (billion tenge)

Issuer	Shareholders` equity			Sales volume			Net income		
	As of Oct 01,00	As of Oct 01,01	Trend	As of Oct 01,00	As of Oct 01,01	Trend	As of Oct 01,00	As of Oct 01,01	Trend
Almaty Kus OJSC	0.699	1.555	+0.856	0.095	0.656	+0.561	0.001	0.037	+0.036
Aluminum of Kazakhstan OJSC	16.163	19.262	+3.099	18.453	21.823	+3.370	3.839	4.392	+0.553
Atyraumunaigasgeologiya OJSC	0.121	0.123	+0.002	0.278	0.471	+0.193	0.006	0.002	-0.004
Bayan-Sulu OJSC	0.575	0.581	+0.006	0.694	0.906	+0.212	0.035	0.010	-0.025
Karazhanbasmunai OJSC	3.684	4.555	+0.871	11.986	14.005	+2.019	3.364	3.441	+0.077
DAGOK Kustanaiasbest OJSC	1.573	1.664	+0.091	2.261	2.639	+0.378	0.600	0.166	-0.434
TNK Kazkhrom OJSC	38.629	32.415	-6.214	36.060	37.079	+1.019	2.303	1.280	-1.023
Corporation Kazakhmys OJSC	60.743	86.829	+26.086	83.840	87.802	+3.962	27.513	25.725	-1.788
Kazakhtelecom	35.635	39.501	+3.866	26.345	32.337	+5.992	4.661	6.122	+1.461
KazTransOil CJSC	105.076	127.586	+22.510	24.152	32.638	+8.486	3.788	6.133	+2.345
Mangistaumunaigas OJSC	17.711	37.415	+19.704	68.406	85.092	+16.686	6.130	12.513	+6.383
RG BRANDS OJSC	0.719	0.803	+0.084	0.346	0.610	+0.264	0.013	0.039	+0.026
SHAKHARMUNAIGAS OJSC	1.594	1.596	+0.002	0.015	0.000	-0.015	-0.003	0.000	+0.003
SHNOS OJSC	26.648	30.876	+4.228	56.887	41.360	-15.527	12.290	3.223	-9.067
RSE Kazakhstan temir zholy	150.835	154.750	+3.915	117.239	123.988	+6.749	11.721	15.094	+3.373
UKTMK OJSC	5.728	6.524	+0.796	3.837	7.238	+3.401	0.124	0.731	+0.607
VITA OJSC	0.313	0.383	+0.070	0.341	0.622	+0.281	0.021	0.017	-0.004
Zhyluenergiya OJSC	0.055	0.216	+0.161	0.923	0.941	+0.018	0.217	0.233	+0.016
TOTAL	466.501	546.634	+80.133	452.158	490.207	+38.049	76.623	79.158	+2.535
			+17.2%			+8.4%			+3.3%

* - data are given as of Oct 01,01 due to an absence of information by the year results.

could be filed only by the issuer's agent, who paid all commissions to the Exchange. Settlements on the results of offerings took place on 6 July. The offering of bonds by the Kazakhstan Temir Zholy NSE was carried out in a similar manner, but over a longer period: from 12 July to 30 September, 2001 with a number of intermediate settlements for securities purchased. When conducting such auctions the Exchange did not charge participants a commission.

Particular notice should be given to specialized auctions for the exchange of preferred shares of Kazakhtelecom for its first issue bonds, held on the KASE from 26 to 30 November and from 3 to 5 December, 2001. This event was the first of its kind on the organized market in Kazakhstan. Through an authorized broker, all willing Kazakhtelecom shareholders could file an application for the sale of their preferred shares at any price with the KASE trading system. Upon the carrying out of a cutoff procedure by the issuer, the applications, the prices of which were lower or equal to the cutoff price, were accepted at the announced price by an exchange of shares for the company's bonds at the fixed price of \$102.28 per bond. At auction 810,232 shares in the amount of \$17,732,009.54 were accepted for exchange in total. These shares were exchanged for 173,387 bonds in the total amount of \$17,733,199.72. The amount of additional payment, which the share sellers transferred to the issuer, equaled \$1,190.18, or KZT 178,098.54 at the current exchange rate.

Three KASE members participated as sellers during the four initial offerings mentioned above. Two of them, Stock Service and Kazkommerts Securities OJSC, operated as financial advisors to the issuers and their agents during the offering, and one, AMB OJSC, independently placed its shares. In this event, Fondoviy Service CJSC accounted for 60.7% of all the CS primary market on the KASE. Kazkommerts Securities OJSC accounted for 37.9%, and AMB OJSC, for 1.4%. The categories showing the participating interest of basic investors in the purchase of CS on the KASE during the initial offering in 2001 is shown in Table 14.

Table 15 shows the basic parameters of bond issues included in the KASE securities official list during the reporting year, as well as the offering structure.

The Secondary market

Trades in CS (in the secondary trading and repo sectors) were regularly held in 2001 on working days on the KASE trading system from 11:30 until 17:00 ALT within the framework of one session. No changes in auction procedures occurred in comparison to the previous year. As earlier, sales of state blocks of shares (this Exchange market segment is a component of the secondary trading sector) were carried out by authorized brokers within the deadlines mentioned above, using the basic KASE trading procedure, which was insignificantly modified in relation to particular conditions of block disposal. Basically these conditions related to making settlements, payment of the guarantee fee, and the procedure for filing applications.

Table 13. Volume of CS and GS trades and sector structure of turnover

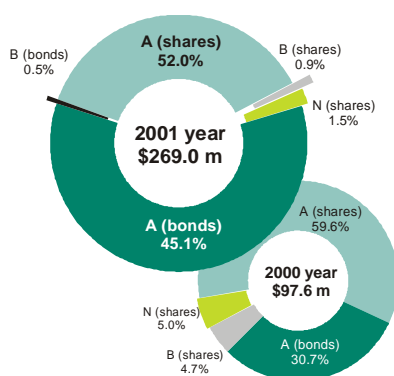
Month	Sector of exchange market of CS							
	Primary market		Sale-purchase		REPO		TOTAL	
	th. USD	m KZT	th. USD	m KZT	th. USD	m KZT	th. USD	m KZT
January	–	–	5,557.2	806.8	1,239.7	179.9	6,796.8	986.6
February	–	–	9,695.4	1,408.4	3,118.5	453.1	12,813.9	1,861.5
March	–	–	15,363.8	2,235.6	7,084.4	1,030.5	22,448.2	3,266.1
Q1	–	–	30,616.4	4,450.7	11,442.6	1,663.5	42,058.9	6,114.2
April	–	–	12,110.8	1,762.7	8,328.6	1,212.2	20,439.4	2,974.9
May	–	–	12,108.8	1,767.9	8,669.6	1,267.5	20,778.4	3,035.4
June	651.3	95.6	11,896.5	1,742.1	15,462.4	2,266.2	28,010.3	4,104.0
Q2	651.3	95.6	36,116.2	5,272.7	32,460.7	4,745.9	69,228.2	10,114.3
July	19,324.7	2,834.3	5,137.3	753.8	23,978.5	3,519.4	48,440.5	7,107.4
August	716.4	105.3	10,263.4	1,510.7	26,885.2	3,958.2	37,865.0	5,574.3
September	8,343.2	1,232.1	10,164.8	1,500.4	27,205.3	4,017.1	45,713.3	6,749.6
Q3	28,384.3	4,171.7	25,565.6	3,764.9	78,069.0	11,494.7	132,018.9	19,431.3
October	–	–	30,315.9	4,487.2	25,362.1	3,753.9	55,678.0	8,241.1
November	–	–	83,606.2	12,422.5	21,847.3	3,245.3	105,453.5	15,667.8
December	17,733.2	2,653.6	62,757.3	9,424.4	20,873.8	3,137.8	101,364.4	15,215.8
Q4	17,733.2	2,653.6	176,679.4	26,334.1	68,083.2	10,136.9	262,495.8	39,124.6
TOTAL	46,768.8	6,920.9	268,977.5	39,822.5	190,055.4	28,041.1	505,801.7	74,784.4
Stake	9.2%		53.2%		37.6%		100.0%	

During the reporting year, the CS turnover structure on the KASE underwent significant changes. If in 2000, secondary transactions accounted for 81.6% of the total volume of transactions then, in 2002, this indicator was reduced to 58.6%. During the reporting year, the CS repo sector developed faster than in the previous year, which resulted in an increase of its share to 41.4% (in 2000 – 18.4%). The balance achieved by the two sectors of the CS secondary market on the KASE seemed to be stable by the end of 2001 and should not change significantly in the near future.

The largest amount of growth in the 2001 CS exchange secondary market was brought about by its most active participants:

1. TuranAlem Securities LLP (24.0% of gross market turnover).
2. INVESTMENT MENAGEMENT GROUP LLP (16.6%).
3. R.G. Securities LLP (11.2%).
4. PAMC ZHETYSU CJSC (8.5%).
5. Informational and training center NSE (7.1%).

Figure 9. Distribution of deals volume on security type and categories of trade lists in sale-purchase sector



Secondary trading sector

Eight hundred seventy one transactions¹⁰ with 92,161,345 securities were concluded during the reporting year in the given sector. Two hundred and thirteen trades out of 250 held were effective. The volume of trades per day varied from \$10.0 to \$63.3 million with the average estimated at \$1,075.9 thousand per year. The corresponding indicator for 2000 was \$519.4 thousand. The average monthly turnover in 2001 was \$22,414.8 thousand. The data by months and quarters is shown in Table 13.

The most significant changes in CS trading procedure were made on March 12, 2001, and they related to trades in shares of listing companies (the official list of KASE securities in the "A" and "B" categories). The 15 minutes waiting period to accept bids for shares for sale and purchase, when trading under KASE basic procedure - open auction procedure - was implemented as of the specified date. The new procedure was regulated by the KASE internal document, "Description of the procedure for holding auctions". It stated that, after the appearance in the KASE trading system of matching quotes, on the basis of which a transaction may be concluded, such quotes should automatically be transferred to the waiting period to be executed. During that time, trades in such shares should be carried out on the basis of the Frankfurt auction procedure. During the course of the auction the participants could put up quotes competing with the previous ones. The described changes in equity trading procedures were implemented to minimize the possibility of manipulating prices when concluding the deals.

In comparison with 2000, the CS turnover structure in the secondary trading sector underwent significant changes (Fig. 9). A share of transactions with "A" category listed bonds increased during the year from 30.7% up to 45.1%, and, without taking into consideration the state block of shares sector, where huge transactions in common shares of Kazakhmys Corporation OJSC were concluded, the turnover of such bonds in 2001 reached 59.6% of the total secondary market. The reasons for change in the turnover structure lay in a significant increase in capitalization of the bond market and an insignificant change in capitalization of the equity market in 2001 (see Chapter "Structure of Trade Listing" of the present Section). As developments over the year showed, investors preferred working with financial instruments that allowed drawing guaranteed income. Additionally, the securities specialists, on whom the Exchange imposed the strictest requirements regarding the spread between mandatory quotations, worked in the bonds market along with the market-makers. As a result, exactly those securities with which the specialists worked on the KASE, turned out to be the most liquid in general (Tab. 16).

Table 14. Stakes of main categories of investors in CS purchase at KASE primary floatation

Main categories of investors	Stake of participation, % of purchase volume				
	ATFBp	ASFib1	TMJLb2	KZTKb1	TOTAL
STB	0	16,3	9.5	0	5.1
STB clients	0	0	0	0	0
NAPF and PAMC	100.0	83.5	89.1	0.3	49.9
Brokers	0	0,2	0.1	2.3	1.1
Brokers' clients	0	0	1.3	97.5	43.9
TOTAL	100.0	100.0	100.0	100.0	100.0

¹⁰ Only settled trades.

Table 15. Main parameters of listing bonds issues of 2001 and structure of their floatation

Brief name of issuer	Trade code of KASE	Issue date	Issue volume, m USD	Circulation term, years	Issued as of Jan 01,02			Staes of floatation,%*				
					m USD	%	including at KASE,%	STB	NAPF and PAMC	Bro-kers	Bro-ker's-clients	Other
RG Brands OJSC	RGBRb2	08.01.01	4.0	2	4.0	100.0	—		70.35			29.66
AtMGG OJSC	AMGGb1	15.01.01	1.0	2	1.0	100.0	—					100.00
Bank TuranAlem OJSC	BTASb1	19.02.01	20.0	8	20.0	100.0	—	19.84	78.50	1.70		
DAGOK Kustanaiasbest OJSC	KZASb1	19.02.01	6.0	3	6.0	100.0	—	57.50	41.70	0.80		
Shymkentnefteorgsintez OJSC	SYRGB1	26.02.01	25.0	3	25.0	100.0	—		99.30			0.70
KAZAKHTELECOM OJSC	KZTKb1	13.03.01	25.0	3	19.3	77.4	69.4	10.34	0.35	0.67	88.64	
TuranAlem Finance B.V.	BTASe1	28.06.01	100.0	3	100.0	100.0	—	38.78	61.22			
Astana-finance OJSC	ASFib1	02.07.01	10.0	2	10.0	100.0	79.6	15.00	84.70	0.30		
Kazakhstan temir zholy OJSC	TMJLb2	10.07.01	30.0	3	21.7	72.3	70.3	7.84	91.68	0.14	0.34	
BANK CASPIAN OJSC	CSBNb1	13.07.01	15.0	3	10.6	70.4	—	47.90	50.57			1.53
Almaty Kus OJSC	ALKSb2	18.07.01	20.0	2	14.3	71.5	—	24.00	76.00			
LARIBA-BANK OJSC	LARib2	16.08.01	1.0	3	0	0	—					
KazTransOil OJSC	KZTOe1	06.07.01	150.0	5	150.0	100.0	—	43.47	38.90			17.63
Temirbank OJSC	TEBNb2	14.09.01	5.9	7	5.9	100.0	—	6.90	92.90	0.20		
TEXAKABANK OJSC	TXBNb1	25.09.01	10.0	5	5.5	55.1	—		91.60			8.40
VALUYT-TRANZIT BANK OJSC	VTBNb1	04.10.01	10.0	5	8.4	84.0	—	18.50	54.80			26.80
TOTAL			432.9		401.7							

* - stakes of floatation among main categories of investors, % from registered number of bonds; figure in trade code shows an issue number.

In total, in the CS secondary trading sector on the KASE, transactions were concluded with 69 securities from 47 issuers. The corresponding indicators of 2000 were 56 securities from 47 issuers.

The equity market remained as narrow and unbalanced in terms of prices as before. As the spreads between quotations of the most liquid securities listed were regulated by the Rules of Market-Makers' Activity, the KASE chose the KASE_Shares index as the price indicator of the equity market. This index has been regularly calculated by the Exchange since July 12, 2000, and reflects the dynamics of offered quotes for equities on the "A" category official list, considering the market capitalization of their issuers (Fig. 10). The actual prices and transaction volumes of four of the most tradable equities in 2001 are shown in Fig. 15.

Trade in the State block of shares occupied a special place on the exchange market. In 2001 the Ministry of Finance made a decision to dispose of two large blocks of shares of Kazakhmys Corporation OJSC through the KASE trading system at an open auction. On 19 November, local investors were offered a 10% block of shares (491,153 common registered shares) as a single lot. Then, on 20 November, a 5% state block of shares was offered at an auction in which only subjects of the pension market of Kazakhstan could participate. For trade, this block was split into 245 undivided lots of 1000 shares each and a 246th lot, consisting of 577 shares.

At the end of the auction (in which two potential customers participated) the 10% block was purchased by the issuer through an authorized broker at USD 63,150,488.13, which corresponded to \$128.576 per share. This transaction was among the largest ever conducted on the KASE in the history of its existence. The auction on 20 November was less effective. As mentioned above, Kazakhstan portfolio investors prefer working with financial instruments that provide guaranteed income. Kazakhmys Corporation OJSC common shares were not in demand by PAMC. Only 17 lots (17 thousand shares) at a price of \$122.16 per share were sold on the Exchange on 20 November. The amount of

Figure 10. Dynamics of KASE-Shares index in 2000 and 2001



Figure 11. Dynamics of prices and deals volume of the most traded in sale-purchase sector shares in 2001

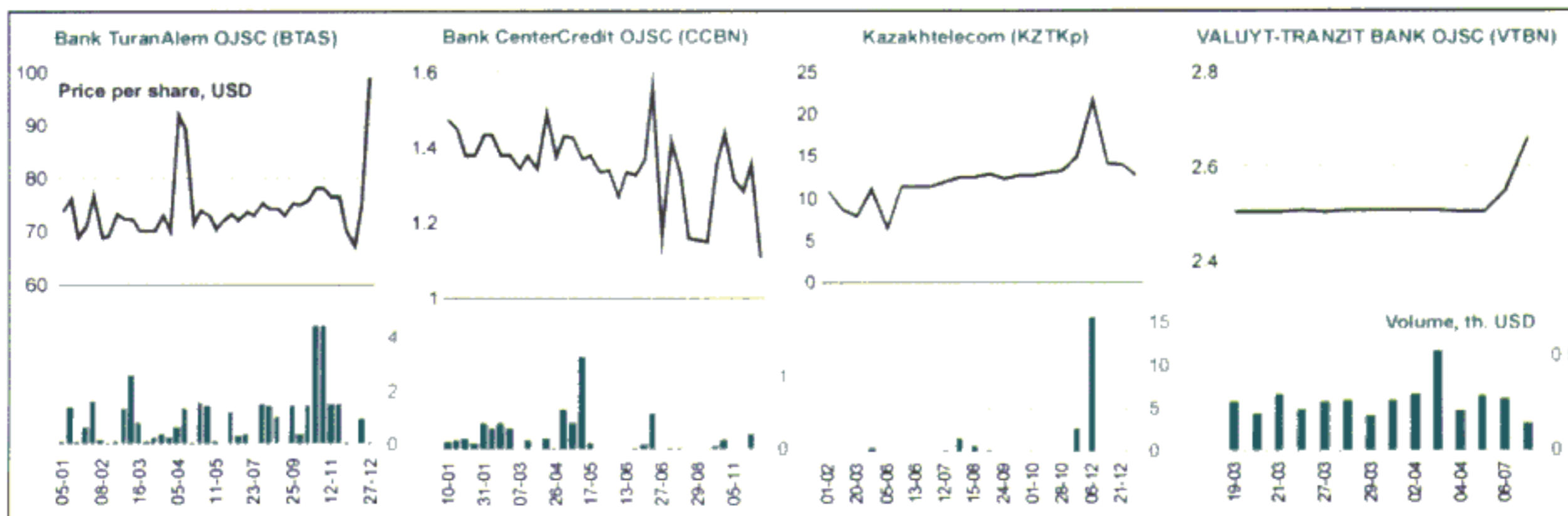


Figure 12. Weighted average yield of Kazakhstan euronotes and corporate bonds at KASE (% APR)

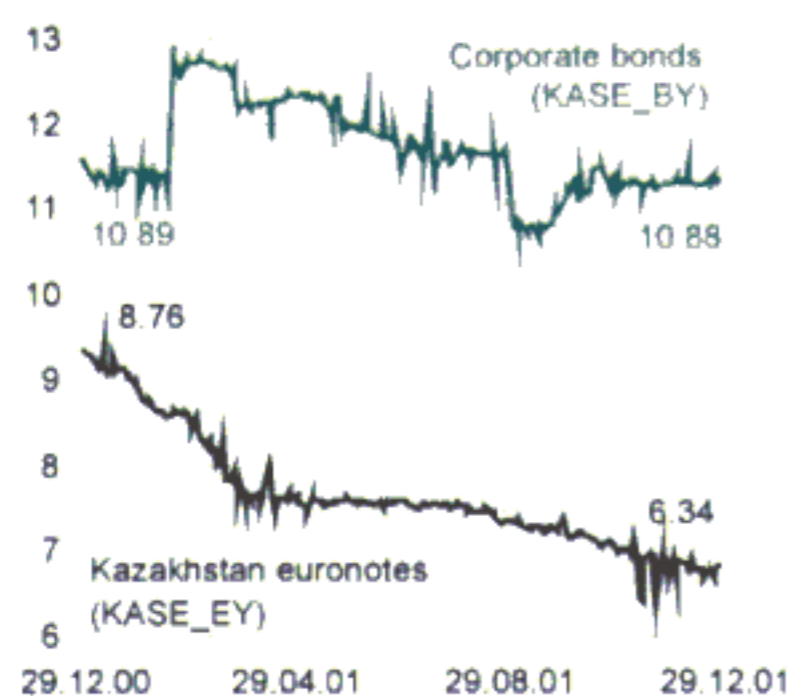


Figure 13. Price indexes of Kazakhstan euronotes and corporate bonds at KASE with yield calculation



transactions concluded equaled USD2,076,720.00. The auction of the 5% state block of shares of Kazakhmys Corporation OJSC continued on the KASE until December 4, 2001, but the participating parties could not agree on prices. No more deals were concluded.

The corporate bonds market seemed to be more interesting in 2001 than the equity market. Unlike the Kazakhstan Euronote – the basic object of investments by local banks and funds – the yield on corporate bonds on the KASE decreased slightly during the reporting year. The KASE_BY index value at the beginning and end of the year was practically identical (Fig. 12). During the same period, the Kazakhstan sovereign debt yield index (KASE_EY) decreased from 8.86 to 6.34% per annum. If, in 2000, the corporate bonds assured a premium of 150 - 250 percent points to their holders (1.5% - 2.5%) against sovereign bonds then, in 2001, the premium increased to 220 - 450 percent points. And the highest premium was in the last quarter of the reporting year.

Unlike 2000, the dynamics of weighted average prices and corporate bond quotations (KASE_BP index) allowed more profit to be derived in 2001 from secondary trading than when working with sovereign debt Euronotes (Fig. 13). It was experienced especially during the second half of the year. Along with that, the change in prices of the most tradable bonds on the KASE in 2001 (Fig. 17) indicated, as a rule, a lack of the obvious long-term trends which would guarantee that the holder would derive profit from the price difference in the event of long positions opening up.

The situation with regard to the share of market transactions, i.e., operations, conducted by brokers using the basic KASE method – the open auction procedure – improved significantly during the reporting year. If, based upon the results of the year 2000, 26.5% of CS transactions on the KASE in terms of volume, or 42.7% of all transactions conducted in the secondary trading sector, were direct transactions then, in 2001, the corresponding indicators did not exceed 8.8% and 26.5% (Fig. 14).

Distribution of transaction volume by month seemed to be more uniform in 2001 (Fig. 14) and, in general, repeated the dynamics of change in volume of the entire exchange market (Fig. 1). In this case, as well as earlier, the auctions of the last three months were the most active. This happened due to several reasons. The

Table 16. Characteristics of ten most traded CS in sale-purchase sector of KASE

Code	Brief name of issuer	S	Admit-tance	Deals volume th., USD	Deals of sec.	Deals numb.	min	max	Price or yield last.	Market share, %
KZMS*	Corporation Kazakhmys OJSC	C	A	65,448.54	512,690	10	122.16	128.58	122.16	24.3
BTAS	Bank TuranAlem OJSC	C	A	37,711.28	498,159	68	67.31	99.14	99.1	14.0
KZTKp**	Kazakhtelecom	P	A	24,605.29	1,325,113	50	6.5	22	9.8	9.1
KZTOb	KazTransOil CJSC	B	A	17,193.23	173,149	160	8.10	10.56	9.13	6.4
KZTKb1	Kazakhtelecom	B	A	16,457.61	160,320	20	10.00	10.00	10.00	6.1
BTASe1	TuranAlem Finance B.V.	E	A	13,974.62	13,967,000	16	10.87	12.21	11.04	5.2
KARMB1	Karazhanbasmunai OJSC	B	A	11,327.42	109,140	30	10.00	12.08	11.00	4.2
KZOLb	NOC Kazakhoil OJSC	B	A	11,285.78	111,380	77	7.88	10.70	10.68	4.2
TEBNb2	TEMIRBANK OJSC	B	A	8,191.95	81,400	8	10.98	11.03	10.98	3.0
KZASb1	DAGOK Kustanaiasbest OJSC	B	A	7,656.70	73,200	19	10.41	12.00	12.00	2.8

C - common inscribed shares, P - privileged inscribed shares, B - bonds, E - eurobonds; prices are given in USD per share, yield - in % APR on semiannual basis; securities on which specialists worked at the exchange are marked with colour; * - mainly due to SBS sale; ** - mainly due to specialized trades on exchange of shares for bonds.

Figure 14. Share of market deals (on the right, %) in trades volume (on the left, m USD) of sale-purchase sector

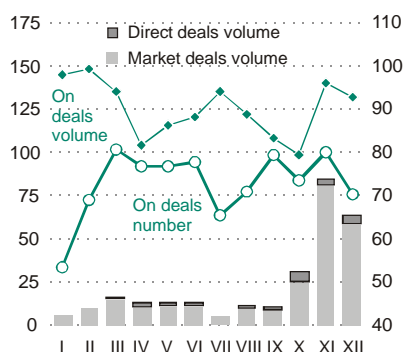


Figure 15. Share of pension assets participation in CS sale-purchase sector

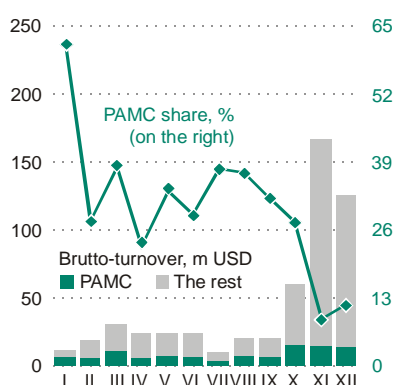
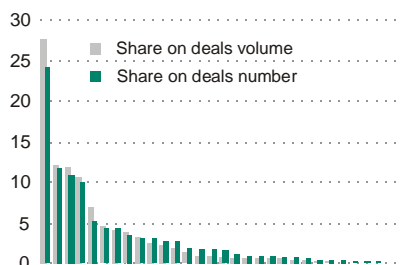


Figure 16. Degree of CS sale-purchase sector monopolization at KASE (%) and brokers' activity



disposal by the Ministry of Finance of state shares in Halyk Savings Bank of Kazakhstan OJSC and Kazakhmys Corporation OJSC in November played a significant role in activation of the CS secondary trading sector. Participation in the auction of the state block of shares required market participants to reallocate huge amounts of money, which resulted in the activation of the securities exchange trade in general, not even taking into account the volume of transactions conducted on the KASE involving the state block of shares. The growth of the market at the end of the year was encouraged by: a significant expansion of the monetary base; holding specialized auctions on the KASE for the exchange of Kazakhtelecom shares for its bonds; the effect of the seasonal factor, by virtue of which trades are traditionally active on the last days of the year.

This factor significantly affected pension assets participation in CS secondary trading sector, because the effect of such factors primarily extends to banks' and broker-dealer companies' behavior. In the last quarter of 2001, the participation of PAMCs and authorized brokers diminished significantly, although the reverse tendency was noticed in absolute monetary terms (Fig. 15). The results for the year showed that 20.3% of transactions¹¹ were conducted with the participation of pension assets in the CS secondary trading sector, including 14.7% in sales of shares and bonds, and 25.8% in purchases. In 2000, the corresponding indicators constituted 20.6%; 5.3% and 35.8%. Second-tier banks accounted for 6.7% of gross turnover during the reporting year (7.3% - sales; 6.2% - purchases). Broker-dealer companies accounted for 40.1% (26.3% - sales; 53.9% - purchases). Brokers' clients accounted for 32.9% (51.7% - sales; 14.2% - purchases).

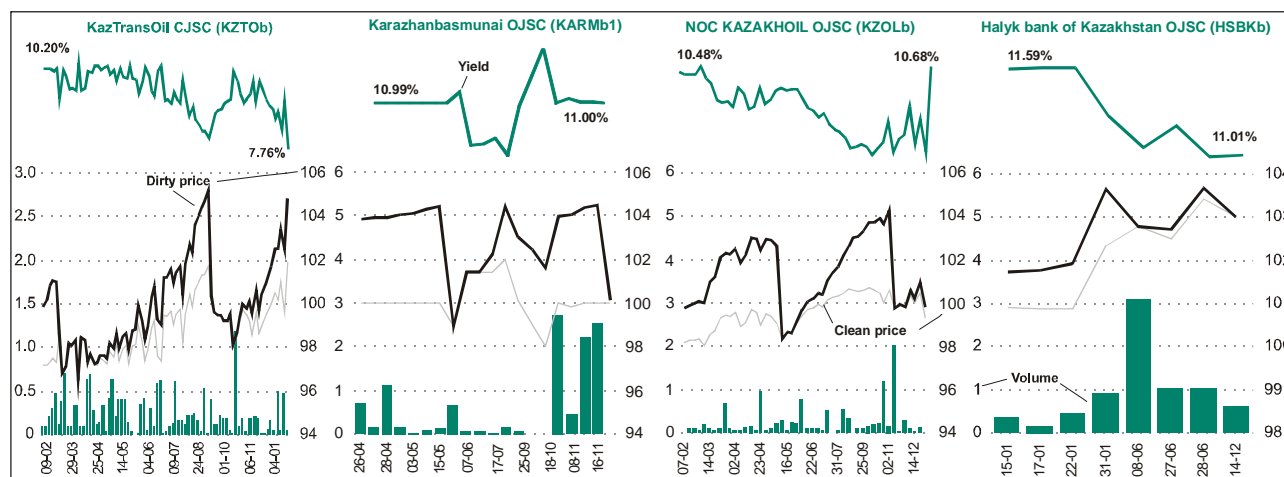
The monopolization level of the CS secondary trading sector was evaluated by the Exchange, as previously, by the total gross position of each member of the Exchange, and was expressed as a percentage of the total volume of deals carried out in the sector. A parallel evaluation was conducted on the quantity of transactions concluded. The monopolization level during the reporting period seemed to be similar to the one in 2000. In total, 30 broker-dealer companies, PAMCs and banks participated in making deals for CS secondary market transactions (28 in 2000). The most active trader accounted for 27.8% (24.2%)¹² of the total volume of transactions. Two participants controlled 39.9% (46.8%) of the market; three participants controlled 51.9% (56.4%); and five participants controlled 69.3% (72.3%). With regard to the number of transactions, the corresponding indicators equaled: 24.2% (18.7%), 35.9% (31.3%), 46.8% (41.9%) and 62.1% (56.9%). The broad picture is given in schedule (Fig. 16).

Repo sector

The first CS repo transactions were concluded on the KASE in March 2000. The results of 2001 allow us to say that the given exchange market sector was fully formed during the reporting period, with the repo sector developing the most rapidly among the other sectors of the CS exchange market.

There was minimum modification of the given segment regulatory base in

Figure 17. Prices (in %), yields (% APR) and deals volume (m USD) of the most traded corporate bonds at KASE in 2001



¹¹ Evaluation of gross transaction turnover in USD.

¹² The corresponding indicator for 2000 is given in brackets.

Figure 18. Repo term on CS at KASE

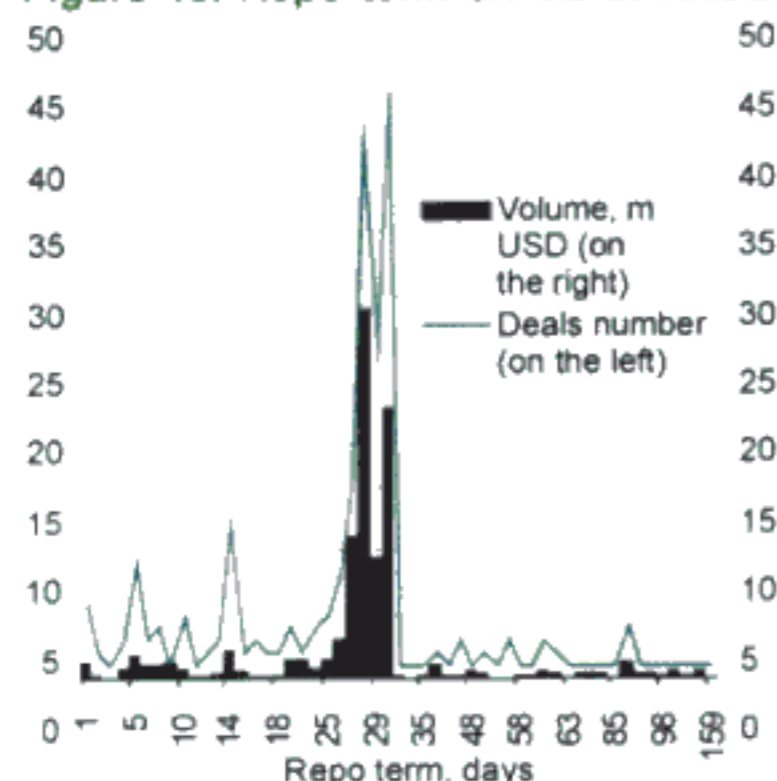


Figure 19. Dynamics of volumes and weighted average effective rates in CS repo sector

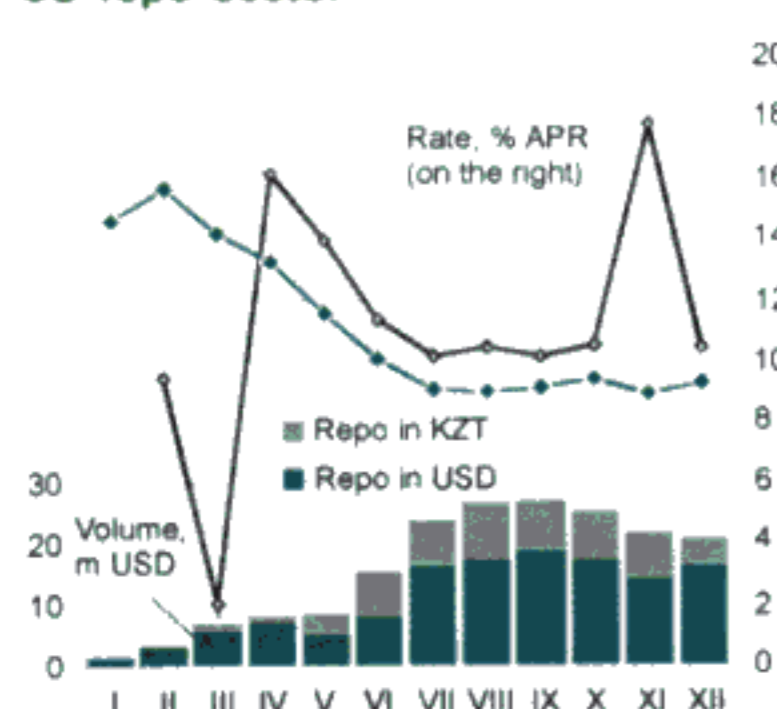
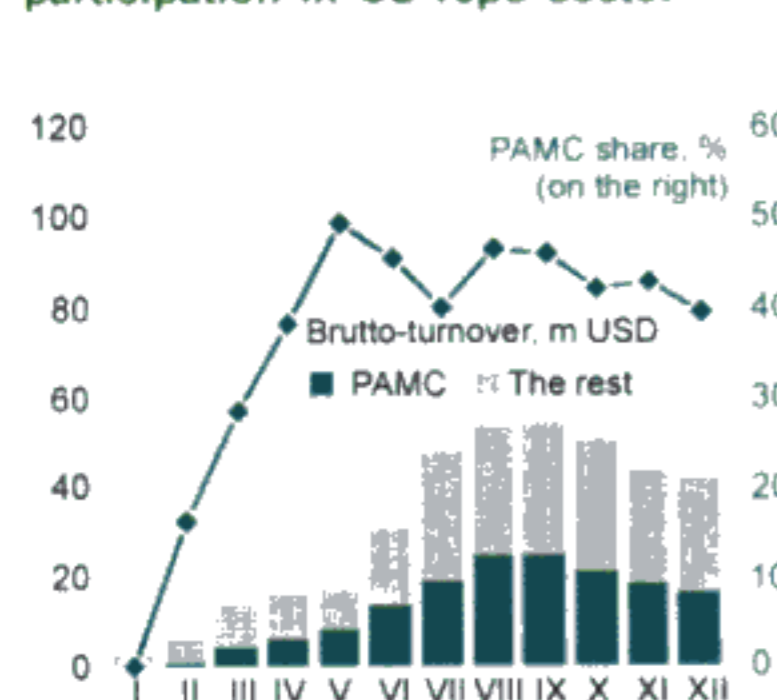


Figure 20. Share of pension assets participation in CS repo sector



2001. The KASE system for accrual of commission fees was the only one changed. Before March 1, 2001, the commission fee was 0.005% of the amount of the opening deal and 0.005% of the amount of the repo closing deal, charged both to the seller and the buyer. After 1 March, the amount of a commission fee became equal to 0.25% of income, determined as multiplication of the number of securities traded by the difference between the repo opening and closing prices. A commission fee was charged to both the seller and the buyer upon opening and closing deals. In the event of repo prolongation, the income amount should be calculated according to the actual repo closing date.

In total, 486 CS repo transactions in an amount equivalent to \$190.1 million, or KZT 28.0 billion, were concluded on the KASE in 2001. Two hundred and twenty three opening transactions (\$100.1 million, or KZT 14.8 billion) and 233 closing transactions (\$13.3 million, or KZT 90.0 billion) are included in this amount. The monthly and quarterly data is given in Table 13. Without exception, all transactions were direct ones as only the GS were used in the automatic repo market that was opened KASE on August 1, 2001. Trades were conducted within the framework of the CS session every working day from 11:30 until 17:00 ALT.

During the entire year, as previously, participants had an opportunity to open repo in KZT and USD (repo adjusted to the tenge devaluation). In the last case, the opening and closing prices offered on the KASE trading system were expressed in USD. According to the yearly results, the adjusted repo accounted for 70.0% of all transactions carried out in the sector.

Unlike 2000, the list of instruments used by brokers significantly increased (Tab. 17). Preference was given to shares on the "A" category official list (89.9% of all transactions made). Bonds on the "B" category list (4.7%), bonds on the "A" category list (4.5%), equities on the "B" category list (0.7%) and equities in the "non-listed securities" sector (0.2%) were in low demand. Equities accounted for 90.8% of the total volume of transactions, and bonds accounted for only 9.2% of transactions. The common stock of Bank TuranAlem OJSC, the common and preferred stocks of VALYUT-TRANSIT-BANK OJSC, and the common stocks of Bank CentreCredit OJSC were in high demand.

Another difference from 2000 was the wide range of terms of the CS opening repo transactions. The participants worked with different terms, but mostly with 30 day repos (Fig. 18).

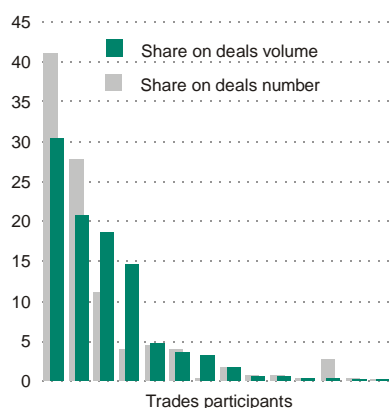
The dynamics of volumes of the sector by months (Fig. 19) proved that, by the middle of the year, the development of the CS repo market was virtually complete. A small decline in volumes at the end of the year was due to the opening of the GS automatic repo sector on the KASE, where a liquid market established. The dynamics of rates, shown in the schedule, allow us to speak of the high correlation between related sectors of the financial market, especially in the second part of the year. This is also a positive aspect as, in 2000, the rates in the given sector were far from the market ones.

PAMCs, and KASE members authorized by them, were the principal participants in the CS repo sector, as the short-term liquidity of banks and broker-dealer com-

Table 17. Consolidated characteristics of CS repo sector instruments in 2001

Brief name of issuer	Security	Admittance category	Deals volume, m USD	Deals number	Market share, %	Repo term days:			Repo currency, % of deals volume	
						mini-mal.	maxi-mal.	weigh. aver.	USD	KZT
Bank TuranAlem OJSC	C	A	80.243	74	42.2	1	63	26	88.3	11.7
VALYUT-TRANZIT BANK OJSC	C	B, A	51.460	165	27.1	1	73	24	32.0	68.0
VALYUT-TRANZIT BANK OJSC	P	B, A	21.207	102	11.2	12	98	30	83.6	16.4
Bank CenterCredit OJSC	C	A	16.854	43	8.9	28	96	37	84.8	15.2
VITA OJSC	B	B	8.897	30	4.7	13	131	62	100.0	
SHAKHARMUNAIGAS OJSC	B	A	4.244	17	2.2	16	150	68	70.8	29.2
NOC KazakhOil OJSC	B	A	1.476	8	0.8	5	29	28		100.0
Astana-finance OJSC	B	A	1.456	4	0.8	7	15	10		100.0
Kazakhtelecom	P	A	0.943	8	0.5	1	132	44	70.3	29.7
Neftebank OJSC	C	B	0.801	4	0.4	10	10	10	100.0	
KazTransOil CJSC	B	A	0.697	8	0.4	2	16	7		100.0
Astana-finance OJSC	C	A	0.681	4	0.4	7	14	11		100.0
Zerde OJSC	C	N-2	0.390	4	0.2	11	35	22		100.0
RG BRANDS LLP	B	A	0.308	2	0.2	19	19	19	100.0	
Bank TuranAlem OJSC	B	A	0.230	7	0.1	1	159	29		100.0
Kazakhstan temir zholy RSE	B	A	0.098	2	0.1	14	14	14		100.0
DAGOK Kustanaiasbest OJSC	B	A	0.071	4	0.0	5	14	12		100.0

Figure 21. Degree CS repo sector monopolization at KASE (%) and brokers' activity



panies was basically supported by means of pension assets. In 2001, the share of participation of pension assets in the given sector was estimated by the Exchange at a level of 41.9% of the summary gross turnover of transactions concluded. The corresponding indicator for 2000 did not exceed 2.0%. Such a significant difference was due to the fact that efficient schemes for using CS when conducting repo transactions were developed only in 2001. In the second part of the year, the CS were used constantly as repo objects. As a result, the share of pension assets in such type of transactions stabilized at around 43% (Fig. 20).

Forteen members of the Exchange (7 broker-dealer companies, three PAMC and four second-tier banks) were involved in CS repo operations on the KASE in 2001. Sector expansion affected this sphere as well as, in 2000 only 6 KASE members, 5 broker-dealer companies and one bank concluded deals. During the reporting year, the most active participant in the sector accounted for 30.6% of gross turnover of all transactions conducted and for 41.3% of deals concluded; two participants accounted for 51.3% and 69.1% respectively; three participants accounted for 70.0% and 80.2%; and five participants accounted for 89.3% and 88.8%. A detailed picture is shown in Fig. 21.

Figure 22. Dynamics of Kazakhstan debt issued in the form of GS¹³

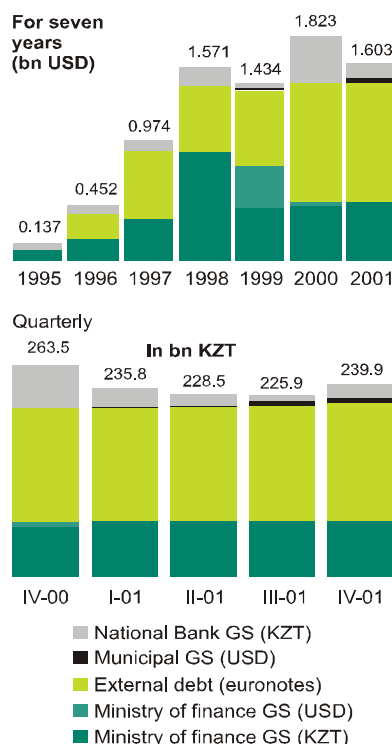


Figure 23. Change of capitalization and Ministry of finance GS market structure in 2001

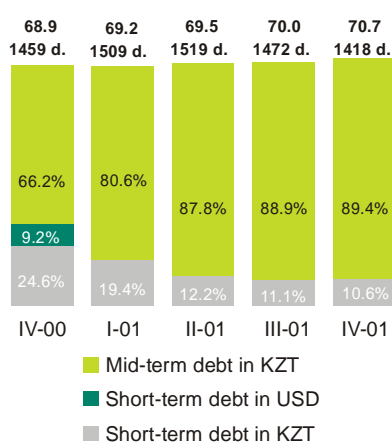
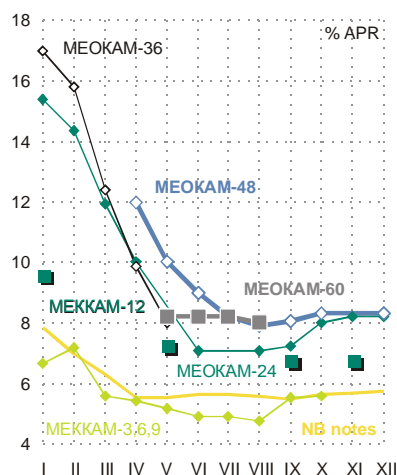


Figure 24. Weighted average yield of domestic GS at primary market



THE GOVERNMENT SECURITIES MARKET

The reporting year significantly differed from the previous one in terms of the behavioral tactics of the Ministry of Finance, the main issuer of GS, on the market. The low demand in the budget for short-term borrowings predetermined the basic directions of GS market development in 2001. Of them, the following will be considered:

- a refusal to increase the nominal value of the volume of debt issued as GS;
- debt restructuring in the direction of prolongation by mainly issuing medium term obligations;
- a significant decline in the value of debt servicing;
- obtaining a balanced picture of rates on the financial market from the shortest term instruments (repo and National Bank notes) to the longest term instruments (MEOKAM, MEIKAM) by year end.

The first point resulted in a decline in capitalization of the Kazakh GS market (including municipal bonds) from USD 1.823 billion at the beginning of the year to USD 1.603 billion at the end of the year (Fig. 22). The nominal value of obligations issued in tenge and not repaid declined from 263.5 billion to 239.9 billion. The Ministry of Finance's GS market capitalization did not change significantly during the year (Fig. 23).

The second and third points developed together and had an applied significance – the displacement of banks' money from the GS sector to the real sector. The continuously growing assets of Kazakhstan APFs played a key role. In the spring of 2001, the Ministry of Finance significantly increased the volume of mid-term bond issues. Four-year and five-year MEOKAM, and three-year, four-year, five-year and seven-year MEIKAM appeared on the market for the first time. Simultaneously the National Bank and the SAPF started the free sale of MEAKAM on the KASE, which, until then, had been used only as repo transaction objects. Severe competition between the Accumulative Pension Funds resulted from the high demand for mid-term bonds, because they were characterized by the highest yield. Using this factor, in the spring of 2001 the Ministry of Finance succeeded in quickly reducing the service cost of debt securities issued (Fig. 24) and to fix the MEOKAM and MEIKAM coupon interest rates at the attained levels by fall. This resulted in a corresponding decline in GS yield on the secondary market and a decline in the participation share of banks' assets in the state debt primary market. The liquidity surplus formed in the banking sector resulted in the growth in credit volume and, as a result, in the reduction of credit rates during the summer (Fig. 25). The share of average mid-term securities on the market grew continuously, as well as outstanding debt weighted average maturity (Fig. 23). And only the adjustments to the budget in the fall of 2001 led to the Ministry of Finance increasing the volume of short-term GS issue at the end of the year.

An important feature of 2001 - to be exact – of the fall of 2001, was the aspiration of the National Bank and the Ministry of Finance to obtain a balanced picture of rates on the financial market, starting with the shortest term instruments up through the longest term instruments. The dynamics of the refinancing rate, which was reduced from 14% to 9% per annum, as well as expanded planning horizons, were taken into consideration. Within the framework of this, the Ministry of Finance decided to increase the coupon interest rates of mid-term GS issued in the fall: MEOKAM-24 – from 7.85 to 8.30% per annum, MEOKAM-48 – from 7.85 to 8.30% per annum, MEIKAM-48 – from 4.00 to 4.30% per annum¹⁴. In part, this was encouraged by the "overheating" of the primary mid-term bond market in the spring and fall, the appearance in circulation of new issues of interesting corporate bonds which the SAPF and banks started to invest in, and the launching of the automatic repo market on the KASE, which attracted a significant share of pension assets.

¹³ At the end of period, estimation of KASE at official exchange rate of the National Bank.

¹⁴ A fixed rate exclusive of the inflation index is given.

Figure 25. Volume of credits to economy and rates of credit

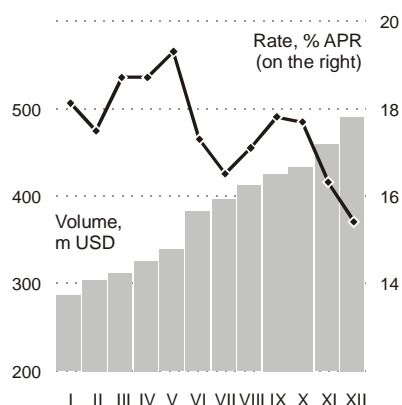
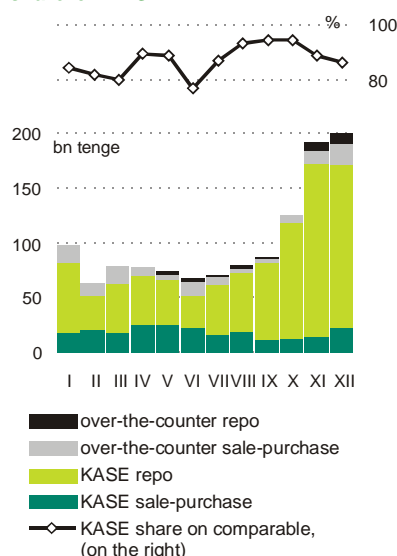


Figure 26. Dynamics of deals volume, turnover structure and share of KASE



SECONDARY GS CIRCULATION¹⁵

In the reporting period, the secondary GS market continued to extend regardless of the decline in nominal value of outstanding debt. In 2001 the volume of transactions on the KASE and OTC reached KZT 1.215.7 billion¹⁶ and grew by 1.95 times with regard to the previous year, according to a KASE evaluation based on its own and the Central Depository's data. The basic reasons for extending the secondary GS market are specified in the Chapter "Volume and Structure of the Kazakhstan Stock Exchange Market".

The minimum monthly turnover (KZT63.1 billion) was observed in February, which is traditionally quiet, due to the necessity of carrying out budget payments on the results of the previous year (Fig. 26). The most active trade was conducted in December, when the volume of deals reached KZT 200.7 billion. The monthly average turnover was KZT101.3 billion (KZT52.1 billion in 2000).

Stock Exchange Secondary GS Market

By the middle of 2000, the GS secondary market on the KASE was already entirely formed with regard to regulatory basis, infrastructure and settlement components, as well as with regard to the main market participants. Thus there were no significant structural changes during the reporting period as compared to the previous year. The market was still mainly controlled by second-tier banks (around 53% of gross turnover) and pension market subjects – PAMC and SAPF (around 25%). The share of Exchange turnover stabilized in 2001 and was estimated by the Exchange, as compared with comparable deals, at 87.5% (Fig. 26) on average per year. In 2000, the corresponding indicator did not exceed 65.3%.

The most significant change of the reporting year was the opening of the so called automatic repo sector on 1 August, where deals were made on the basis of the open auction method, but not on the basis of direct deals, as before. Repo rates for standard terms (1, 2, 3, 7, 14 and 28 days) were the subjects of trade in that sector. Sums of money, but not the GS, were offered for sale and purchase. The KASE trading system automatically determined the prices and quantities necessary to participate in a deal. The rules for making repo deals by this method were introduced on August 1, 2001. In this case, trade in the sector was carried out free of charge until the end of the year. Due to the opening of the sector, members of the Exchange started working with short money on a transparent market basis, and the National Bank received an efficient instrument for regulation of short-term liquidity on the open market. The latter beneficially effected the entire financial market status.

Table 18. GS deals volume at KASE, sector structure of turnover and share of exchange market

Month	Sectors of GS exchange market								Share of exchange market,%
	Sale-purchase sector		Sector repo				TOTAL		
			Direct deals		Autorepo				
	m USD	bn KZT	m USD	bn KZT	m USD	bn KZT	m USD	bn KZT	
January	114.5	16.631	450.3	65.434	0	0	564.7	82.064	84.1
February	143.9	20.912	211.0	30.670	0	0	355.0	51.581	81.9
March	122.6	17.836	312.2	45.427	0	0	434.8	63.264	79.7
Q1	381.0	55.379	973.5	141.531	0	0	1,354.5	196.910	82.0
April	169.2	24.640	310.9	45.248	0	0	480.1	69.888	89.4
May	169.2	24.732	283.8	41.469	0	0	453.0	66.202	88.7
June	145.5	21.336	205.1	30.064	0	0	350.7	51.400	76.4
Q2	484.0	70.708	799.7	116.781	0	0	1,283.7	187.489	85.2
July	102.9	15.102	318.3	46.725	0	0	421.2	61.827	86.5
August	123.5	18.179	177.4	26.113	194.0	28.553	494.9	72.844	92.9
September	74.9	11.056	208.6	30.811	270.8	39.990	554.2	81.857	94.6
Q3	301.3	44.337	704.4	103.648	464.7	68.543	1,470.4	216.528	91.6
October	89.7	13.282	400.4	59.287	309.0	45.743	799.2	118.313	94.4
November	96.7	14.371	573.5	85.215	484.5	71.970	1,154.7	171.556	88.8
December	145.4	21.865	521.9	78.533	482.1	72.313	1,149.4	172.711	86.0
Q4	331.9	49.519	1,495.9	223.034	1,275.6	190.026	3,103.4	462.579	89.1
TOTAL	1,498.2	219.943	3,973.5	584.994	1,740.3	258.569	7,211.9	1,063.507	87.5
Structure		20.7		55.0		24.3		100.0	

¹⁵ Due to the fact that municipal bonds have a GS status in Kazakhstan, all secondary market indicators given below shall take into consideration the turnover of these securities.

¹⁶ Secondary market and repo transactions, exclusive of collateral deals, securities transfers and revaluation transactions.

Figure 27. Structure of GS turnover in sale-purchase sector

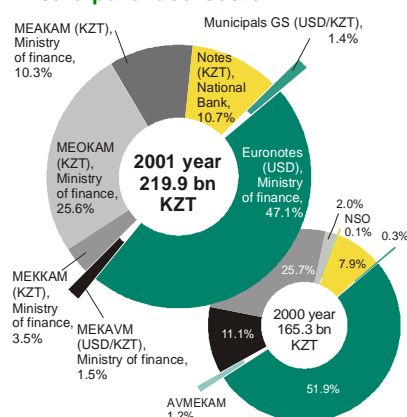


Figure 28. Change of turnover structure and deals volume in 2001

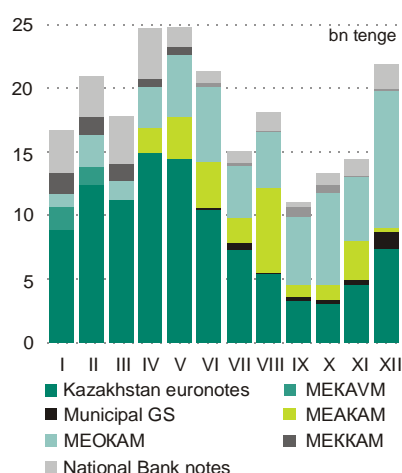


Figure 29. Yield of domestic GS and transactions volume

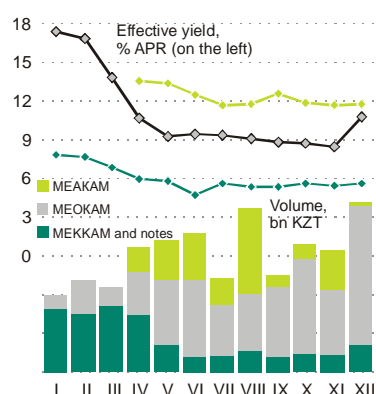
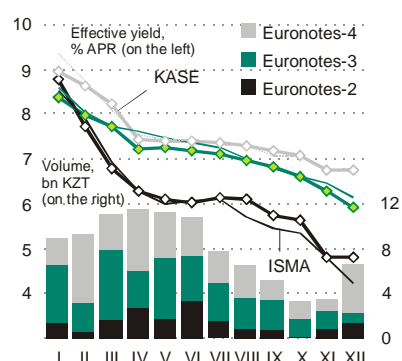


Figure 30. Yield of Kazakhstan euronotes and transactions volume



During 2001, the members of the Exchanges had the opportunity to carry out repo deals at the same time on the KASE using GS, by using the direct deals method. The data in Table 18 show that, regardless of the youth of the automatic repo market, its value by the end of the year was comparable with that of the direct deals market.

Data on GS trade volume on the KASE, sector turnover structure and exchange market share of the overall GS market is given in Table 18.

The most active participants in the GS exchange market in 2001 were as follows:

1. Bank TuranAlem OJSC (15.2% of gross market turnover);
2. AMB OJSC (13.7%)
3. SAPF (9.1%).
4. Bank CenterCredit OJSC (7.9%)
5. HALYK SAVINGS BANK OF KAZAKHSTAN OJSC (7.5%).

Secondary Trading Sector

In 2001 250 trades were conducted on the KASE.

In total, in the course of trades, 3,929 deals¹⁷ with 989,800,634 bonds were concluded. All sessions were efficient during the year. The volume of trade per day varied from KZT34.9 million (\$236.1 thousand, 24.09.01) to KZT3.767,7 million (\$25.0 million, 21.12.01) and, on average, equaled KZT879.8 million (\$6.0 million) per annum. The average value of the monthly turnover was KZT 18,328.6 million or \$124.8 million.

The structure of sector turnover, as compared to 2000, underwent changes (Fig. 27), which were caused mainly by outstanding debt structuring. The Kazakhstan euronotes share in turnover decreased slightly, although they were still the most tradable securities. The places of the absent AVMEKAM (exchanged for Kazakhstan euronotes of the fourth issue, in May 2000) and the almost absent MEKAVM (the last issue matured on 09.03.01) were taken by the MEAKAM, which were offered for sale on the open market on 28.04.01. Regardless of the significant share of market capitalization occupied by the MEIKAM, there were practically no deals conducted with these bonds on the KASE (0.0092% of sector volume). Inflation indexed securities were traded on the Exchange in dirty prices, because it was impossible to automatically determine accrued interest. This significantly complicated the bond quotation process. The share of bonds, denominated in USD or tenge indexed for devaluation, in the turnover of the Exchange sales and purchases sector declined from 64.4% in 2000 to 49.9% in the reporting period, regardless of the fact that, in the total volume of outstanding debt, that share varied from 57.3% to 63.5% in 2001. The given tendency was explained by the aspirations of PAMCs to purchase the most revenue bonds which, in 2001, were MEAKAM and MEOKAM.

The dynamics of the volume of deals in the sector, as well as the change in the turnover structure on basic types of bonds in 2001 is given in Fig. 28.

The main factor that affected the condition of the secondary GS exchange market was, as before, the yield on the primary market (Fig. 24 and Fig. 29). The MEAKAM prices also complied with the impact of the given factor. Additionally, market "overheating" at the end of spring played the main role in the decline in rates. High demand for all mid-term bonds resulted in a significant increase in the prices of Kazakhstan euronotes (Fig. 30), and after that – MEOKAM and MEAKAM. During the second part of the year, the internal GS yield was stabilized under the influence of an event that occurred on the primary market. And the yield of euronotes continued falling, as did the volume of deals, because market participants speculated in price differences of bonds that were in high demand.

A total of 29 "K" category Exchange members (23 in 2000) participated in making deals in the GS secondary trading sector on the KASE. Banks operating at trades with their own "depo" accounts accounted for 41.0% of gross market turnover, and their clients accounted for 23.1%. Deals with the participation of pension assets, concluded by PAMC, SAPF and brokers authorized by PAMC, controlled 34.8% of gross sector turnover. The broker-dealer companies took less of a part in the market with their own funds (0.14%) and with their clients' money (1.0%), not being subjects of the pension market.

¹⁷ Taking into consideration the deals on which the settlements were made.

Figure 31. Degree of GS market monopolization at KASE in sale-purchase sector

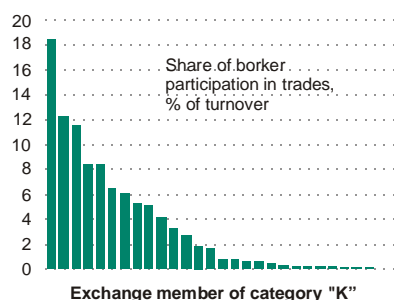


Figure 32. Turnover structure and GS repo term

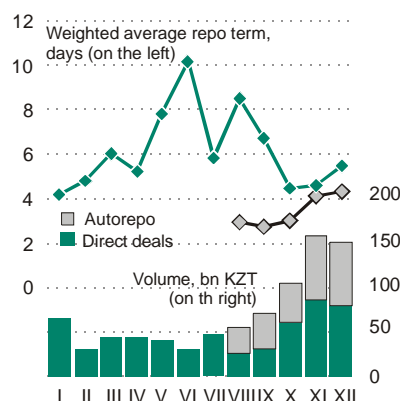


Figure 33. Distribution of transactions volume on repo terms in days

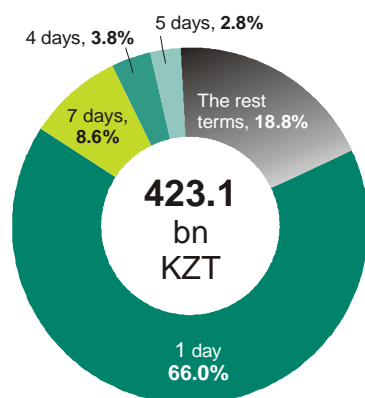
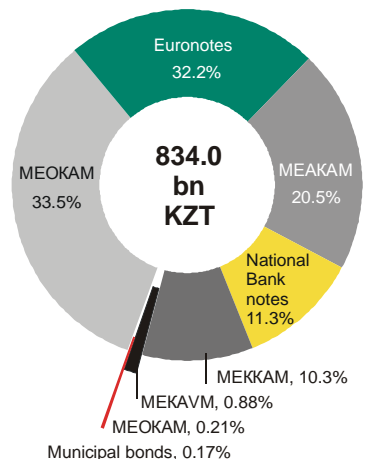


Figure 34. Instrumental structure of GS turnover in repo sector



The sector monopolization level in 2001 was characterized by the following data (Fig. 31). The most active participant in trades accounted for 18.4% of gross turnover. Two other participants accounted for 30.7%, three accounted for 42.2%, and five accounted for 59.0%. As in 2000, the monopolization level of this sector of the Exchange market was the lowest and did not change significantly as compared to the previous reporting period.

Repo Sector

250 GS trades were conducted in the repo sector on the KASE in 2001.

A total of 7,380 deals¹⁸ involving 3,481,359,310 bonds in the amount of KZT 843.6 billion or \$5,713.8 million were concluded, including:

- 2997 repo opening direct deals in the amount of KZT 291.6 billion (\$1,980.4 million);
- 726 repo opening deals using the counter trade method in the amount of KZT 131.5 billion (\$885.3 million);
- 2965 repo closing direct deals in the amount of KZT 293.3 billion (\$1,992.2 million);
- 692 automatic repo closing deals in the amount of KZT 127.1 billion (\$855.9 million).

All sessions during the year were efficient. The volume of trades per day varied from KZT 194.7 million (\$1,338,8 thousand, on 30.03.01) to KZT 12.7 billion (\$85.4 million, on 28.11.01) and, on average, equaled KZT 3,374.3 million (\$22.9 million). The average value of the monthly turnover equaled KZT 70.3 billion or \$476.1 million.

Sector activity was uneven during the year (Fig. 32). While moving toward the end of the year, the volume of transactions increased rapidly, which was encouraged, in a certain sense, by the launching of the automatic repo market. As market volume distribution by month, shown in the diagram, had a high correlation with the dynamics of the decrease in money supply, the rate of its growth was, quite likely, the basic factor that regulated traders' activity on the KASE repo market. Besides, second-tier banks' assets growth, and the corresponding necessity to ensure their liquidity at a certain level, contributed to market expansion at the end of the year. An increase in the speed of tenge devaluation in the fall and winter periods also positively affected repo deals volume.

As in the case of GS repo, participants could set the opening and closing prices in USD when making direct deals, thereby indexing the repo rate at the tenge devaluation level. However, traders rarely used this type of deal. In 2001, the indexed repo of GS accounted for 0.23% of market volume. Participants used Kazakhstan euronotes and municipal bonds as the main asset in this case. The overwhelming volume of the sector was represented by the non-indexed repo, the maturity of which varied from 1 day ("overnight" repo) to 92 days.

Very often, the object of deals was the shortest term money – the "overnight" repo accounted for 54.2% of all opening deals in terms of volume (Fig. 33). That regularity became obvious in all segments of the market and especially on the automatic repo floor (Tab. 19). In general, we could say that money with a maturity of 7 days inclusive (85.5% in terms of volume) was in high demand on the Exchange; in rare cases, traders borrowed money for 30 day periods. The longest borrowings were recorded on individual deals.

Traders use a wide range of bonds as collateral on repo deals (Fig. 34). The instrumental structure of turnover was close to the portfolio structure of market participants and the structure of outstanding state debt.

During 2001, the interest rate dynamics did not differ significantly from the previous reporting period, before the launching of the automatic repo market. (Fig. 35). The loss by banks of short-term liquidity was permanently accompanied by growth of interest rates and resulted in an increase in the volume of deals. However, in the summer of 2001, a stable tendency in bank liquidity was formed with the support of APF money. The rapid decline in bond yield in the spring forced the subjects of the pension market to look for alternative investment instruments. The repo sector played an important role here as well, because there was always an observed demand for short-term money by the banks. The

¹⁸ Including deals with municipal bonds. Only settled deals were taken into consideration.

Table 19: Structure of automatic repo sector

Instrument	Market share, %
REPO_KZT_001	78.3
REPO_KZT_002	0.2
REPO_KZT_003	0.4
REPO_KZT_007	11.9
REPO_KZT_014	5.2
REPO_KZT_028	4.0

Figure 35. Rates and weighted average repo term

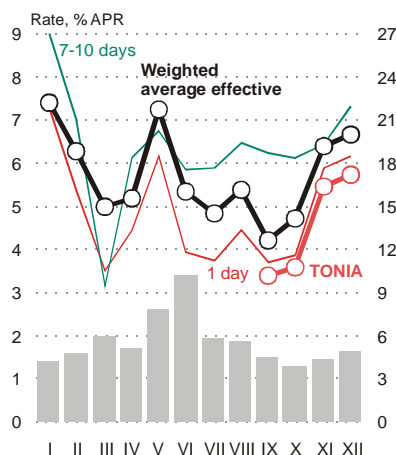
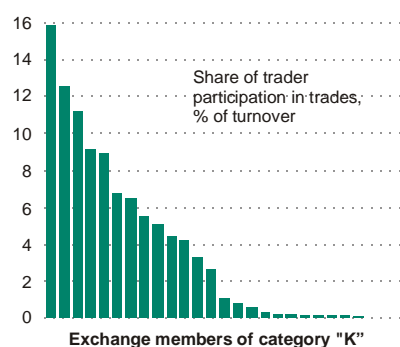


Figure 36. Degree of GS market monopolization at KASE in repo sector



growth of the money supply by PAMC and SAPF allowed repo rates to stabilize, smoothing out their dynamics during the summer. That tendency was further developed after the launching of the automatic repo market, in which the National Bank operated, using repo to regulate the monetary base.

Starting September 1, 2001, the KASE developed a new indicator, TONIA (Tenge OverNight Index Average), which reflected the weighted average “overnight” repo rate in the automatic repo sector in a real time mode. The results of market work over four months showed a high correlation between TONIA and repo rates in the direct deals sector and on the market in general (Fig. 35).

A total of 27 Exchange members (in 2000 – 22 members) participated in repo deals with GS on the KASE in 2001. Banks that traded in their own account comprised 67.8% of gross market turnover, and their clients accounted for 9.6%. Deals involving pension assets, made by PAMC, SAPF and brokers authorized by PAMC, controlled 21.8% of gross sector turnover. The presence of other categories of participants on the market was practically insignificant.

The sector monopolization level in 2001 was characterized by the following data (Fig. 36). The most active market participant accounted for 15.8% of gross turnover. Another two accounted for 28.3%, another three accounted for 39.6%, and another five accounted for 57.6%. The monopolization level significantly declined as compared to 2000.

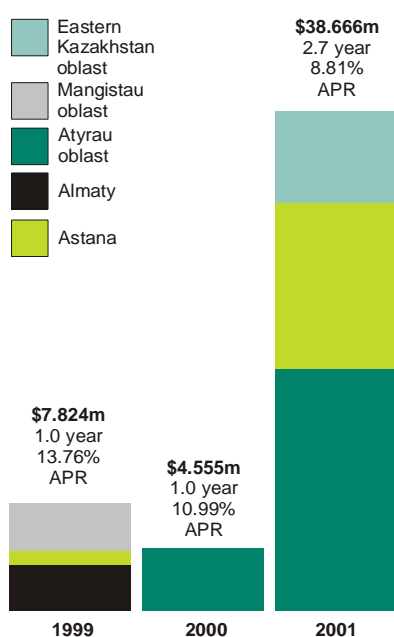
THE MUNICIPAL SECURITIES MARKET

As previously, according to legislation, all initial offers of municipal securities in Kazakhstan took place on the KASE.

All securities issued before 2001 were promptly serviced and were paid off in strict compliance with the terms and conditions of the issue. At the end of 2000, and in 2001, the regions of Kazakhstan received credit ratings from leading world agencies for the first time, which positively affected market development. The Mangystau region, which the Fitch Agency assigned a long-term credit "BB-" rating for borrowings in both foreign and local currencies at the end of December 2000, was the first, as well as in the case of issuing bonds. In 2001, Almaty received a long-term "B+" rating with a stable forecast from Fitch. Moody's assigned the Atyrau region a "B1" rating for debt securities issued both in foreign and local currencies, with a positive forecast. And on 18 October, the capital of Kazakhstan was assigned a "Ba3" rating with a stable forecast by the same agency.

Investors were ready for municipal bonds market expansion as well. The continuous growth of the banks' resource base and the assets of the Accumulative Pension Funds of Kazakhstan ensured demand for municipal bonds in 2001, on one hand and, on the other hand, they ensured the possibility of placing them at relatively low rates. Kazakhstan Development Bank CJSC played a significant role in the given market segment development.

Figure 37. Main parameters of primary market of Kazakhstan municipal bonds in 1999-2001



PRIMARY MARKET

The impact of the factors mentioned above resulted in a significant expansion of the municipal debt market in 2001. The volume of securities offered by executive bodies exceeded the analogous indicator of 2000 by 8.5 times in nominal value, and the indicator of 1999 by 4.9 times (Fig. 37). Market capitalization increased from \$4,555.0 thousand as of 01.01.01 to \$38,666.0 thousand as of the end of the year. Borrowing terms increased significantly, as a result of which the issuers changed from a discount mechanism of debt servicing to coupon bonds. The cost of servicing decreased by almost two times as compared to 1999 (inclusive of devaluation).

As previously, all municipal bonds issued in 2001 were indexed to devaluation – their face value equaled \$100, and servicing was carried out in tenge at the current rate of the National Bank. This kind of securities structure satisfied demand best of all, as the investors' position toward municipal bonds was more similar to their position toward corporate debt securities rather than government ones¹⁹. In part, this position was determined by the purpose for municipal borrowings. The executive bodies changed from exclusive infrastructure borrowings to the financing, via the issue of bonds, of so-called Regional Investment Programs (RIP), where primary attention was paid to financing of the regional industrial base, and small and medium size business, through banks. Additionally, money was attracted to regional infrastructure development as well (Astana and Atyrau region bonds).

A total of KZT5,670.8 million or \$38,266.3 thousand, which equaled 45.0% of the total volume of the initial offering conducted during the reporting period on the Exchange, were attracted by local executive bodies at the KASE by means of bond offerings.

Second-tier banks were the main purchasers of municipal bonds at the time of the initial offering. They accounted for 70.3% of the volume of debt redeemed during the

Table 20: Participation of main categories of investors in primary market of municipal debt

Code of security	Categories of investors, % of issue volume					Weig. av. income, % APR
	STB	PAMC and SAPF	STB clients	Brokers-dealers	Brokers' clients	
ARU024.002	82.7	15.7	1.6	–	–	8.62
ARU060.003	67.0	32.0	0.9	0.2	–	8.85
ASU012.002	100.0	–	–	–	–	8.50
ASU036.003	100.0	–	–	–	–	9.80
VKU036.001	59.5	35.7	–	–	4.8	8.58
TOTAL	70.3	16.5	12.3	0.03	0.9	8.84

¹⁹ Municipal securities in Kazakhstan have the status of government securities, and the Ministry of Finance establishes the borrowing limits for each executive body.

Figure 38. Distribution of Deals volume on municipal bonds by months in 2001



reporting period (Tab. 20). Pension market subjects took second place (16.5%). Other categories of investors did not take an active part in the initial offerings.

SECONDARY MARKET

The municipal bonds secondary market remained narrow, though a certain amount of progress was achieved in comparison to 2000. The securities of six issues were traded during the reporting period. The securities of only three issues were traded in 2000. The total amount of transactions²⁰ concluded with the given type of bonds (excluding repo transactions) in 2001 equaled KZT22 041.1 million and increased by 43 times over the previous year. It was achieved mostly by means of an increase (of 8.5 times) in market capitalization, as well as due to the effect of the factors described at the beginning of this Chapter. But, the primary reason was the general tendency of financial market development towards the expansion of the repo sector (Fig.1). One can make a judgement based on the extremely uneven distribution of the volume of transactions with municipal bonds in 2001 and the structure of their turnover (Fig.38). An increase in the liquidity of the municipal bonds market also made possible market-makers' work with these securities²¹ on the KASE. However, the given factor

First issue bonds of Eastern Kazakhstan oblast

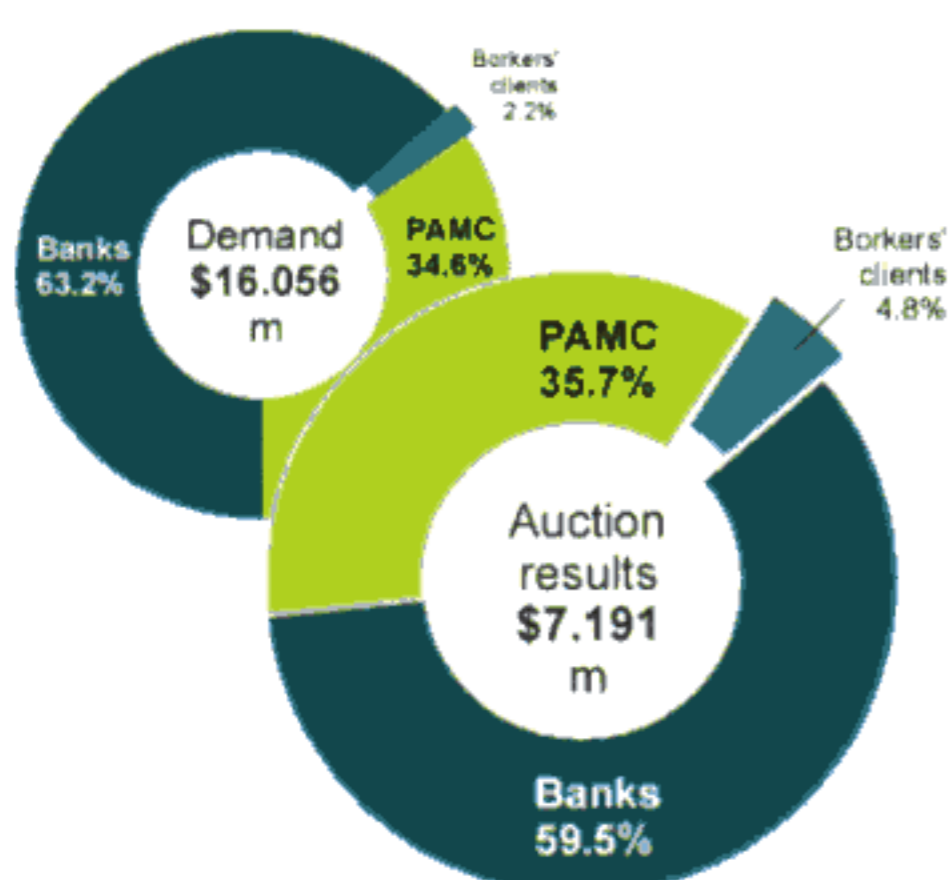
Financial consultant of the issuer

DB SECURITIES
(KAZAKHSTAN)

TuranAlem Securities

White & Case LLP
Juridical consultant of the project

Financial agent of the issuer –
Kazakhstan stock exchange CJSC



Issuer: Executive body (akimat) of Eastern Kazakhstan oblast of the Republic of Kazakhstan
Security type: coupon bond indexed at a change of tenge rate to US dollar

NIN: KZ7051806A46
KASE code: VKU036.001
Face value: USD100.00
Circulation start: June 20,01
Maturity date: June 18,04
Circulation term: 1095 days (3 years)
Coupon type: semiannual
Settling basis: actual / 365
Issued: 71,905 bonds (100% of issue)
Volume of borrowing: KZT999,782,569.83
Maturity volume: equivalent of \$7,190.5 th.
Weighted average yield: 8.58% APR
Rate: 6.30% APR

Money was borrowed for financing of three projects of Regional investment program (RIP)

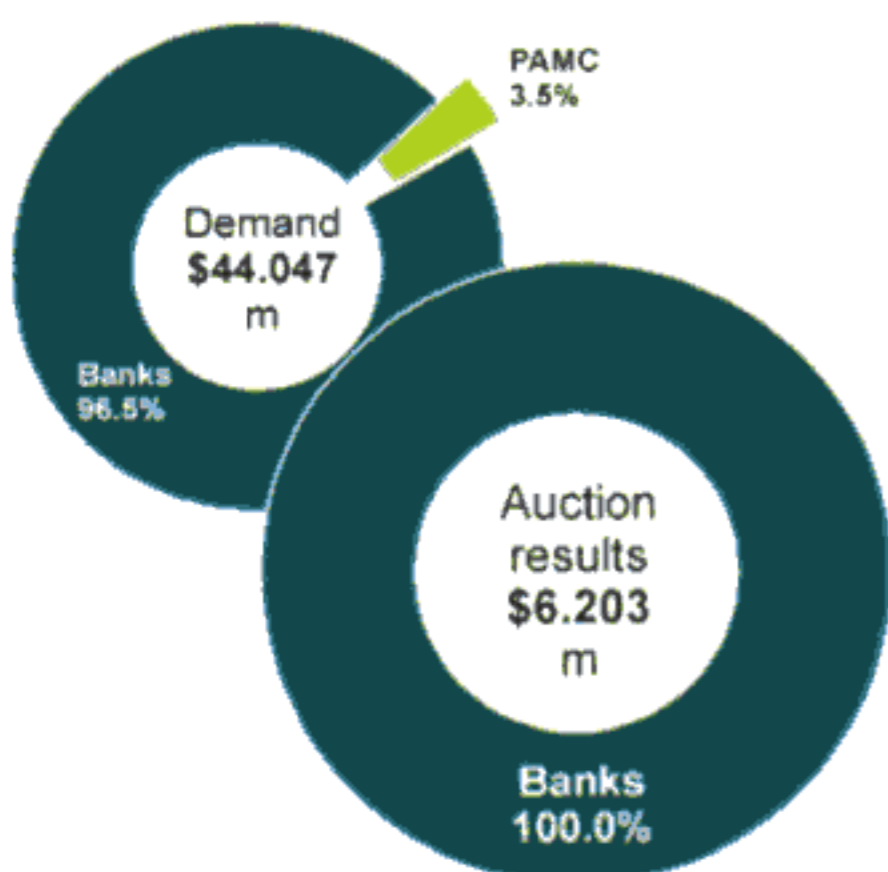
Second issue bonds of Astana

Second issue bonds of Astana

Fondovy
Service

KAZAKHSTAN LEGAL GROUP
Juridical consultant of the project

Financial agent of the issuer –
Kazakhstan stock exchange CJSC



Issuer: Executive body (akimat) of Astana
Security type: coupon bond indexed at a change of tenge rate to US dollar

NIN: KZZ2KY010026
KASE code: ASU012.002
Face value: USD100.00
Circulation start: Sep 22,01
Maturity date: Sep 20,02
Circulation term: 365 days (1 year)
Coupon type: semiannual
Settling basis: actual / 364
Issued: 62,031 bonds (100% of issue)
Volume of borrowing: KZT916,197,870.00
Maturity volume: equivalent of \$6,203.1 th.
Weighted average yield: 8.50% APR
Rate: 8.50% APR

Money was borrowed for realization of project Construction of third line of water pipeline from Vyacheslavskoe water store to Astana city.

²⁰ In this case the volume of the total Kazakhstan market according to KASE and Central Depository data is indicated.

²¹ The availability of a market-maker is a mandatory condition of municipal bonds' admission to the KASE.

Third issue bonds of Astana

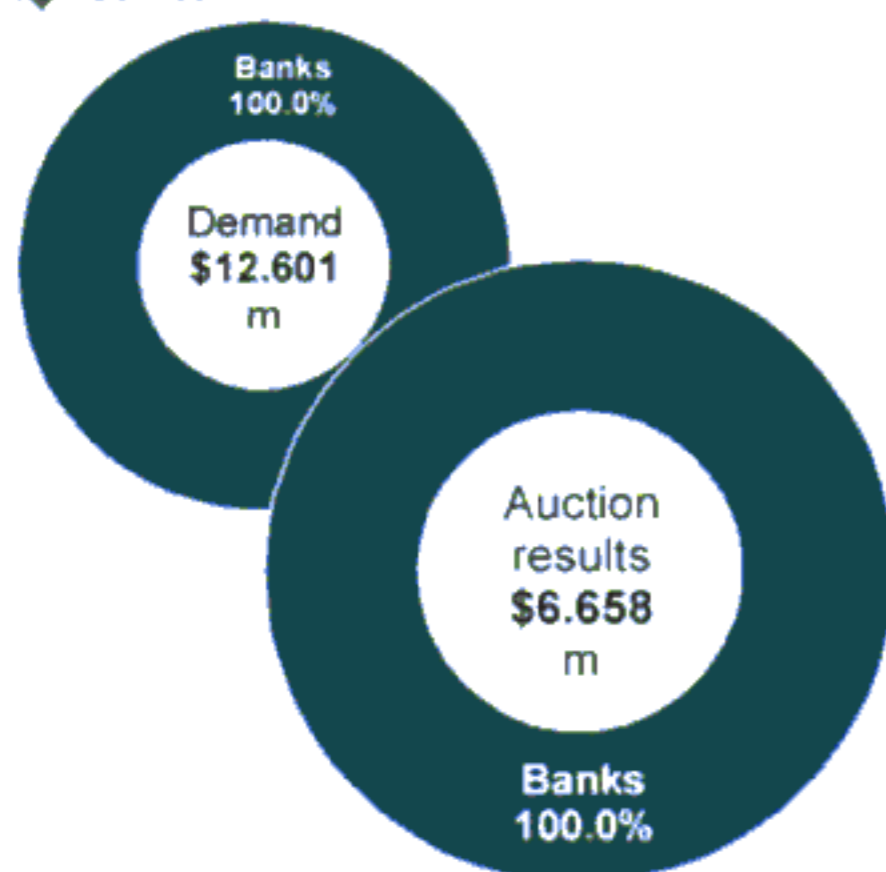
Financial consultant of the issuer



KAZAKHSTAN LEGAL GROUP
Juridical consultant of the project



Financial agent of the issuer –
Kazakhstan stock exchange CJSC



Issuer: Executive body (akimat) of Astana
Security type: coupon bond indexed at a change of tenge rate to US dollar
NIN: KZZ2KY030032
KASE code: ASU036.003
Face value: USD100.00
Circulation start: Dec 27,01
Maturity date: Dec 27,04
Circulation term: 1095 days (3 years)
Coupon type: semiannual
Settling basis: actual / 365
Issued: 66,577 bonds (100% of issue)
Volume of borrowing: KZT999,986,540.00
Maturity volume: equivalent of \$6,657.7 th.
Weighted average yield: 9.80% APR
Rate: 9.80% APR

Money was borrowed for realization of project Construction of third line of water pipeline from Vyacheslavskoe water store to Astana city.

Second issue bonds of Atyrau oblast

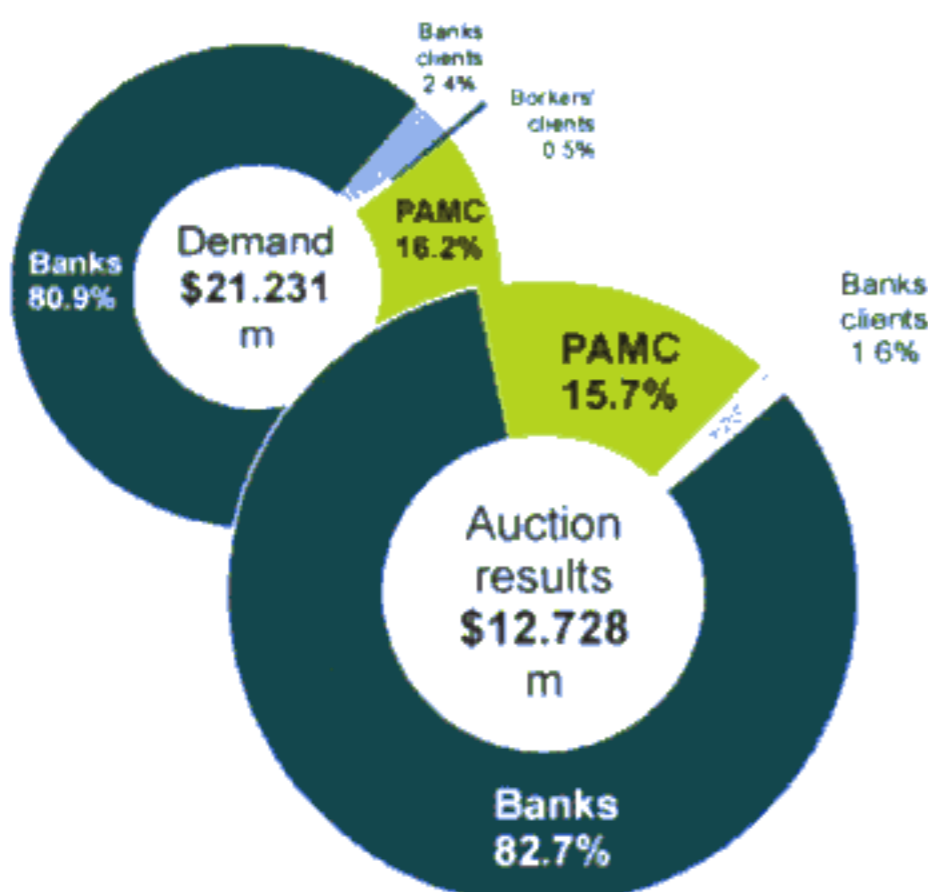
Financial consultant of the issuer



White & Case LLP
Juridical consultant of the project



Financial agent of the issuer –
Kazakhstan stock exchange CJSC



Issuer: Executive body (akimat) of Atyrau oblast of the Republic of Kazakhstan
Security type: coupon bond indexed at a change of tenge rate to US dollar
NIN: KZE4KY020023
KASE code: ARU024.002
Face value: USD100.00
Circulation start: Sep 26,01
Maturity date: Sep 25,03
Circulation term: 730 days (2 years)
Coupon type: semiannual
Settling basis: actual / 365
Issued: 127,276 bonds (100% of issue)
Volume of borrowing: KZT1,882,903,099.02
Maturity volume: equivalent of \$12,733.0 th.
Weighted average yield: 8.62% APR
Rate: 8.00% APR

Money was borrowed for financing of four projects of Regional investment program (RIP)

Third issue bonds of Atyrau oblast

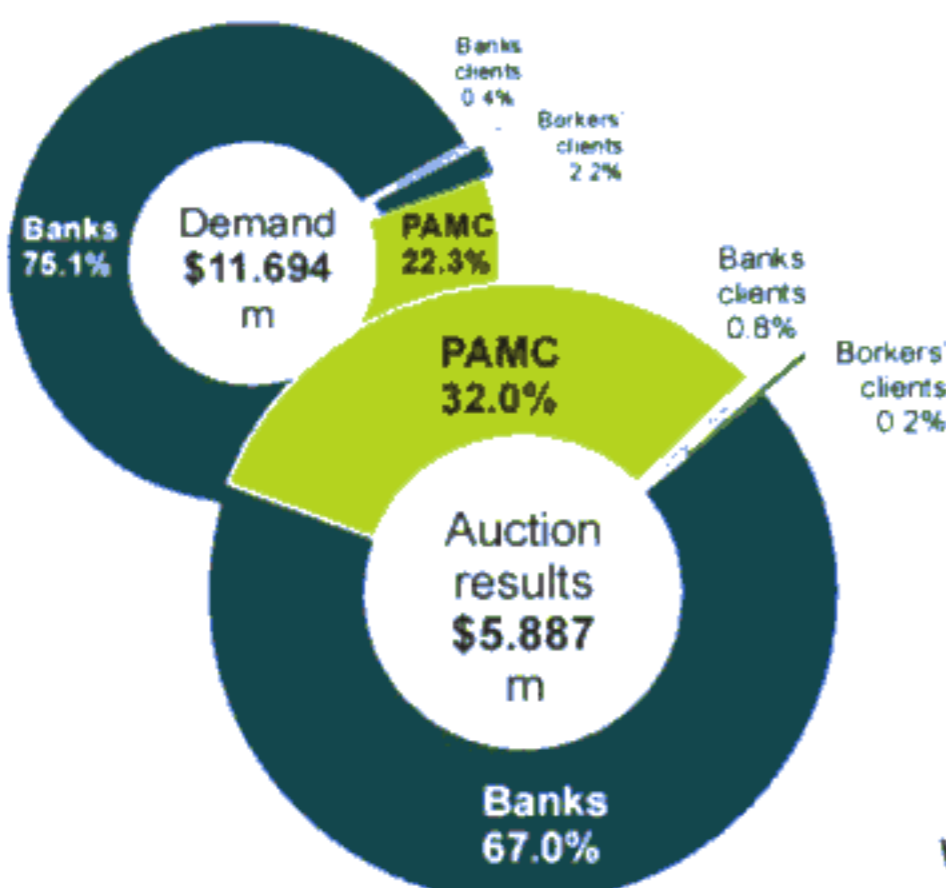
Financial consultant of the issuer



White & Case LLP
Juridical consultant of the project



Financial agent of the issuer –
Kazakhstan stock exchange CJSC



Issuer: Executive body (akimat) of Atyrau oblast of the Republic of Kazakhstan
Security type: coupon bond indexed at a change of tenge rate to US dollar
NIN: KZE4KY050038
KASE code: ARU060.003
Face value: USD100.00
Circulation start: Sep 26,01
Maturity date: Sep 24,06
Circulation term: 1825 days (5 years)
Coupon type: semiannual
Settling basis: actual / 365
Issued: 58,871 bonds (100% of issue)
Volume of borrowing: KZT871,950,248.04
Maturity volume: equivalent of \$5,885.7 th.
Weighted average yield: 8.85% APR
Rate: 8.60% APR

Money was borrowed for financing of four projects of Regional investment program (RIP)

Table 21. Yield of municipal bonds at secondary market in 2001 (% APR)

	ARU 024. 002	ARU 060. 003	VKU 036. 001
KASE:			
Minimal	7.99	8.98	8.34
Maximal	8.79	9.01	8.57
Weighted average	8.77	9.00	8.39
Last	8.79	8.99	8.57
Over-the-counter:			
Minimal	7.58	8.03	7.58
Maximal	9.16	100.83	121.01
Weighted average	8.88	18.72	9.14
Last	7.58	8.56	9.39
Entire market:			
Weighted average	8.84	18.49	8.62
Last	7.58	8.56	9.39

was not the determining one, because the municipal bonds exchange market share did not exceed 28.2% of sales and purchases transactions in 2001.

The structure of the turnover of the whole Kazakhstan municipal debt market is shown in Tab. 22. Sales and purchases transactions accounted for 49.7% of transactions and repo accounted for 50.3%. 20.4% of transactions in terms of volume were carried out through the KASE trading system, and the remaining ones were concluded on the OTC market. The longest term bonds, Atyrau region five year bonds (ARU060.003), took first place in terms of turnover ratio in 2001 (the ratio of the volume of sales and purchases transactions to the nominal cost of total debt). They also took the first place in sales and purchases transactions volume. The second issue securities of the same issuer (ARU024.002, KZT4 875.5 million) were in highest demand in the repo sector, to be exact, their market was of the highest liquidity as judged by the sales and purchases and repo transactions summary volume.

64 deals in the amount of KZT4,487.6 million, including 58 transactions in the secondary trading sector in the amount of KZT3,087.7 million (68.8% of exchange market), and 6 repo transactions in the amount of KZT 1,400.0 million (31.2%) were concluded on the KASE with municipal bonds in the reporting year. This volume equaled 0.42% of the state block of shares secondary market on the KASE, including 1.40% of sales and purchases transactions and 0.17% of the state block of shares repo volume. The bonds of the East Kazakhstan region were the most tradable municipal securities on the KASE (Tab. 22). The price parameters of the market are illustrated in Table 21 (they produce only data on bonds that were traded in the secondary trading sector).

Second-tier banks (36.2% of transactions volume) and their clients (35.3%) operated actively with municipal bonds in the KASE secondary trading sector in 2001. The subjects of the pension market (PAMC and SAPF) accounted for 28.4% of transactions volume, and brokers' clients accounted for 0.08%. Brokers (as well as dealers) did not operate with such bonds via their accounts. The subjects of the pension market (50.1% of transactions were carried out with their participation) were the most active in the KASE repo sector. Second-tier banks took second place (28.4%), and their clients took third place (21.5%). In total, the share of participation of pension assets in the municipal securities secondary exchange market was estimated at 35.19% of total transactions volume; banks' share was 33.76% and their clients' share was 31.00% (could include banks as well). 0.06% of transactions in terms of volume were conducted with the participation of clients of broker-dealer firms.

In 2001 the most active participants in the municipal bonds market were as follows:

1. Bank TuranAlem OJSC (42.0% of all transactions volume);
2. Temirbank OJSC (19.3%);
3. State Accumulative Pension Fund CJSC (8.2%).

Table 22. Structure of turnover of municipal bonds secondary market in 2001

Code of security	Dept parametrs		Sale-purchase			REPO			Deals volume m KZT			Turnover ratio
	issue volume, m KZT	maturity date	at over the			at over the			total on market			
			KASE	counter	TOTAL	KASE	counter	TOTAL	KASE	counter	TOTAL	
ARU012.001	650.0	10.07.01	—	—	—	799.4	—	799.4	799.4	—	799.4	0
ARU024.002	1,885.8	25.09.03	1,269.3	2,706.7	3,976.0	—	4,875.5	4,875.5	1,269.3	7,582.2	8,851.6	2.11
ARU060.003	872.2	24.09.06	106.5	4,363.8	4,470.4	—	3,932.0	3,932.0	106.5	8,295.9	8,402.4	5.13
ASU012.002	916.2	20.09.02	—	—	—	600.6	—	600.6	600.6	—	600.6	0
ASU036.003	1,000.0	25.12.04	—	—	—	—	—	—	—	—	—	0
VKU036.001	1,055.4	18.06.04	1,711.8	790.4	2,502.2	—	858.0	858.0	1,711.8	1,648.4	3 360.2	2.37
TOTAL			3,087.7	7,861.0	10,948.6	1,400.0	9,665.5	11,065.5	4,487.6	17,526.5	22,014.1	
Structure			28.2	71.8	100.0	12.7	87.3	100.0	20.4	79.6	100.0	

Table 23. Supranational bonds admitted to trades at KASE in 2001

International bank for reconstruction and development

Security type:	global notes
Debt type:	senior unsecured
NSIN:	US459056PP62
KASE trade code:	IBRDU170303
Date of admittance KASE:	Feb 02 01
Issue currency:	USD
Issue volume:	\$4 000 000
Circulation start:	Mar 17,98
Circulation term:	5 years
Maturity date:	Mar 17,03
Coupon type:	semiannual
Coupon:	5.625% APR
Coupon payments:	Sep 17 and Mar 17
Time basis:	360/30

International bank for reconstruction and development

Security type:	global bonds
Debt type:	senior unsecured non-subordinated
NSIN:	US459056QC41
KASE trade code:	IBRDU060302
Date of admittance KASE:	Feb 02,01
Issue currency:	USD
Issue volume:	\$2 000 000
Circulation start:	Mar 06,00
Circulation term:	2 years
Maturity date:	Mar 06,02
Coupon type:	semiannual
Coupon:	6.750% APR
Coupon payments:	Sep 06 and Mar 06
Time basis:	360/30

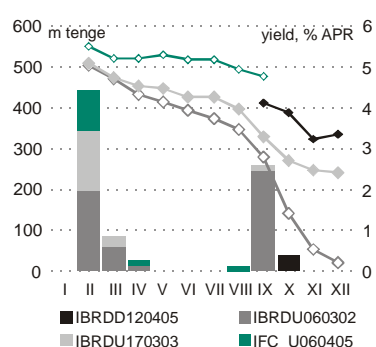
International financial corporation

Security type:	global notes
Debt type:	senior unsecured non-subordinated
NSIN:	XS0110024550
KASE trade code:	IFC_U060405
Date of admittance KASE:	Feb 08,01
Issue currency:	USD
Issue volume:	\$1 000 000
Circulation start:	Apr 06,01
Circulation term:	5 years
Maturity date:	Apr 06,05
Coupon type:	semiannual
Coupon:	7.125% APR
Coupon payments:	Oct 06 and Apr 06
Time basis:	360/30

International bank for reconstruction and development

Security type:	eurobond
Debt type:	senior unsecured
NSIN:	DE0001282705
KASE trade code:	IBRDD120405
Date of admittance KASE:	Sep 20,01
Issue currency:	Dutch mark
Issue volume:	DEM3,000,000
Circulation start:	Apr 12,95
Circulation term:	10 years
Maturity date:	Apr 12,05
Coupon type:	annual
Coupon:	7.125% APR
Coupon payments:	April 12 each year
Time basis:	360/30

Figure 39. Deals volume on supranational bonds and monthly average yield



INTERNATIONAL FINANCIAL INSTITUTIONS (IFI) BOND MARKET

This sector was a new one for the Exchange. It was established during the reporting year, as a consequence of the expansion of investment opportunities for pension market subjects in Kazakhstan, who, while searching for new instruments, actively made investments in foreign issuers' securities.

The rules of admission of IFI securities into circulation on the Exchange were established by the "Rules on the admission of IFI securities into circulation on the Exchange" that was put into effect on 2 February. According to this document, the following organizations were specified as IFIs:

- Asian Development Bank (ADB);
- African Development Bank (ADB);
- Bank for International Settlements (BIS);
- European Bank for Reconstruction and Development (EBRD);
- Islamic Development Bank (IDB);
- Inter-American Development Bank (IADB);
- International Finance Corporation (IFC);
- International Bank for Reconstruction and Development (IBRD).

The rules stipulated that IFI securities should be admitted into circulation on the Exchange based on a decision by the KASE Board on the basis of an initiator's application for admission of a "K" category Exchange member, and provided that there was an application by one of the KASE members to perform the duties of market-maker for the securities subject to admission. On February 2, 2001 the Exchange internal document "The liabilities and rights of Kazakhstan Stock Exchange CJSC "K" category members, having the status of IFI bonds market-makers" came into effect. A mandatory condition for market-makers was the maintenance of maximum spreads on mandatory quotations in the KASE trading system.

The floor opened on February 2, 2001, when two issues of IBRD bonds were admitted for trading on the KASE. On 8 February, the IFC notes were added and, on 20 September, IBRD eurobonds denominated in DEM were added (Tab. 23). The State Accumulative Pension Fund 22 acted as a market-maker for these securities. The auction was held using the basic KASE method from 11:30 until 18:30 ALT and, starting on September 19, 2001, from 11:30 until 17:00 ALT. The first deals were concluded on 9 February. Settlements on transactions were carried out under the T+0 scheme via the Central Depository.

In total, 41 transactions in the amount of KZT 862.9 million or USD 5,902.5 thousand were concluded with IFI bonds on the KASE during the reporting period, which equaled 0.057% of total Exchange turnover for the reporting year. The floor worked most actively in February and September. The volume and price information for the sector is shown in Fig. 39 (the yield is calculated based on offer quotes and actual transactions) and in Table 24.

In total, six members of the Exchange operated with IFI bonds on the KASE in 2001 (according to transactions concluded); they operated both as dealers and brokers. The total number of trade accounts involved did not exceed seven. Only one bank that was interested in bonds accounted for 19.5% of the volume of all transactions concluded. The remaining transactions (80.5% in terms of volume) were conducted with the participation of pension market subjects. Among them, five Accumulative Pension Funds and one PAMC, which carried out operations using its own trading account, operated with IFI bonds.

Table 24. Parameters of exchange market of supranational bonds in 2001

Code of security	Deals volume, m KZT	Yield to maturity on deals, % APR			
		on first deal	minimal	maximal	on last deal
IBRDD120405	39.584	3.89	3.89	3.89	3.89
IBRDU060302	519.245	5.11	3.84	5.11	4.14
IBRDU170303	186.908	5.14	3.52	5.14	3.52
IFC_U060405	117.186	5.53	5.09	5.53	5.09
TOTAL	862.923				

²² As of 3 September, the Fund has given up its status as market-maker for IFC notes, however it regularly placed bids to buy them until the end of the year.

Figure 40. Trade balance of Kazakhstan in 2001, bn USD

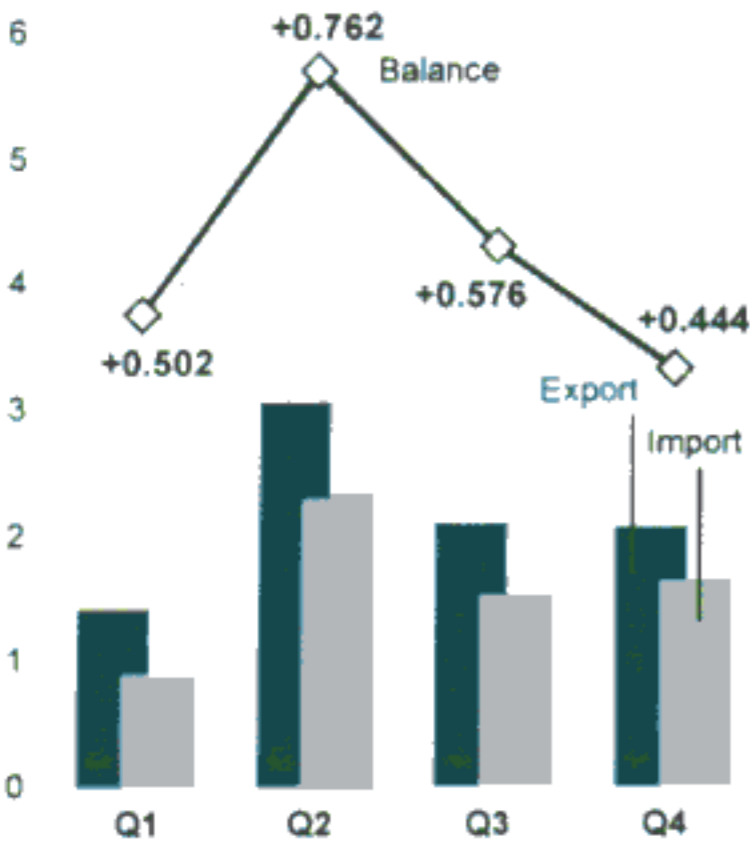
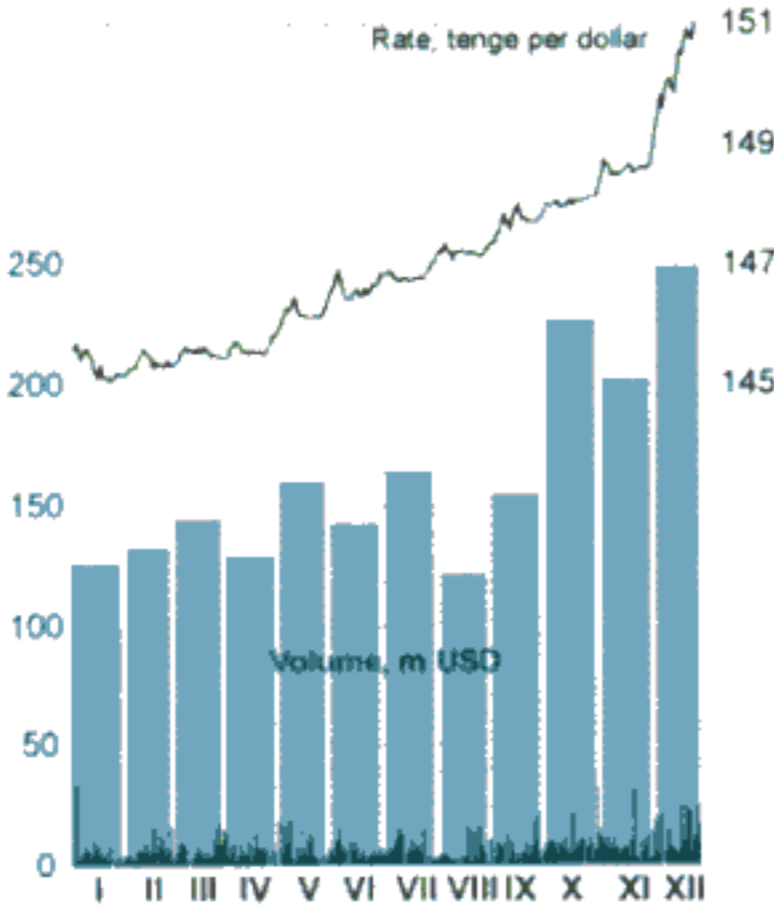


Figure 41. Indicators of USD exchange market



FOREIGN EXCHANGE MARKET

Kazakhstan foreign exchange market development in 2001 was basically characterized by positive tendencies. Tenge devaluation against the USD, calculated at the weighted average exchange rate of the KASE morning (main) session, equaled 3.82% (5.17% in 2000). The inflation level decreased from 9.8% to 6.4% in 2000. The USD weighted average exchange rate in the reporting period did not exceed 147.22 tenge per dollar (142.52 tenge in the previous year). According to National Bank data, in real terms, the tenge rate as compared to the USD did not change during the year. The index of the real effective exchange rate, calculated as of the end of October, was lower by 0.6% than in December 2000, and lower by 3.2% than in 1996. In 2001 the tenge strengthened its positions by 3.27% against the RUR, the second most relevant currency on the Kazakhstan market. The weighted average rate during the year was 5.0409 tenge per ruble, and by the end of the year, the RUR rate declined to 5.0040 tenge.

The indicators shown were reached despite world raw material market conditions being less favorable for Kazakhstan as compared to the previous year. The price of copper declined to historically minimum values, and the average oil price was significantly less than in 2000. The situation with other Kazakhstan exports was also not good. As a result, their volume did not exceed 94.8% of the similar indicator for 2000 and equaled USD8,964.9 million, leaving the export structure practically unchanged.

At the same time, industry development characterized by an increase in GDP of 13.2% to KZT 3,825.4 billion, mainly encouraged the active import of capital assets (vehicles, equipment, means of transportation, instruments) into the country. This entailed an increase in import volume of 26.0% to USD 6,363.0 million. Though the foreign trade balance of Kazakhstan was positive, according to a preliminary evaluation by the Statistics Agency (USD2,283.9 million), it declined by two times in comparison to the previous year (USD4,075.2 million).

The specified factor did not lead to a reduction in the supply of USD on the internal market. As will be shown below, the volume of the exchange market increased in 2001. The lower level of tenge devaluation indicates an increase in the USD supply and demand situation. A reduction in volume of export supplies resulted in a decline in currency turnover between the local banks and non-resident banks of Kazakhstan.

The country's total gold and foreign exchange reserves (inclusive of National Fund assets) increased in current prices during the year by USD992.4 million (by 36.0%) to USD3,746.4 million. In 2000, the growth of gold and foreign exchange reserves was evaluated at USD573 million (37.7%) by the National Bank. The 2001 foreign exchange market was subject to self-regulation more than it was previously. The lower level of devaluation was not explained by National Bank currency intervention, but reflected the actual economy and import substitution complex development. The monetary regulation methods applied by the National Bank in 2001 significantly reduced USD speculative potential and made the changes in rate more predictable and smooth. The latter was encouraged by rather constant importers' activity during the whole year, and not only in spring and at the end of the fall, which was characteristic of previous periods.

It is noteworthy that the low inflation and devaluation level was achieved in a reporting year where the growth of the monetary base and cash in circulation exceeded that of 2000 (M0). In this case the monetary base (M3) grew a little slowly in terms of percentage (Tab. 25).

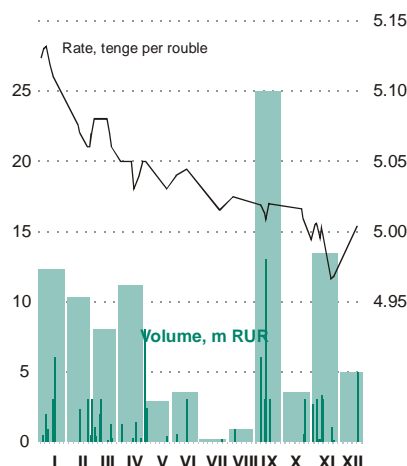
FOREIGN EXCHANGE TRADES

USD (TOD, TOM, SPOT settlements), DEM (TOD, TOM), EUR (TOD, TOM) and RUR (TOD, TOM) were traded in the foreign exchange sector in 2001. Three sessions were conducted daily: the morning one (main, 10:15 – 11:00 ALT), the day one (additional, 11:30 – 15:30 ALT), and the evening one (additional, 14:00

Table 25. Dynamics of main monetary aggregates in 2000 and 2001 (bn KZT as of the end of period)

Indicator	2001	2000	in 2001		Change: in 2000	
			billion tenge	%	billion tenge	%
Monetary base	175.0	134.0	41.0	30.6	7.2	5.7
Cash in circulation (M0)	131.2	106.4	24.8	23.3	2.9	2.8
Monetary mass (M3)	569.1	399.5	169.6	42.5	125.6	45.9

Figure 42. Indicators of Russian rouble exchange market



– 18:00 ALT). The morning session was intended for DEM, EUR and USD trade by means of TOD settlements, and the KZT weighted average rates to these currencies, used as the foreign exchange market basic indicators, were formed at this session. The day session was basically used for RUR. The results of the KZT weighted average exchange rate to the ruble were determined upon it. Additionally, within the framework of the session, DEM, EUR and USD were traded by means of TOD settlements. The closing rates were declared as the price indicators for such currencies. The evening session was intended for USD trade by means of TOM and SPOT settlements, as well as DEM and EUR, by means of TOM settlements.

During the holidays in the countries whose currencies were traded on the KASE, the trades in such currencies at the main or additional (day) sessions were carried out by means of TOM or SPOT settlements depending on the number of holidays.

The following changes were made to trading procedure in comparison to 2000. On October 20, 2001, trades of EUR and DEM by means of TOM settlements were discontinued by a Board Decision due to the lack of traders' interest in this type of financial instrument. In addition, since October 1, 2001 trades in DEM with any settlement term were discontinued by a KASE Board decision. The decision was made on the basis of letters sent to the KASE by bank-correspondents, Deutsche Bank AG and Commerzbank AG (Frankfurt on Maine, Germany), regarding the necessity of closing Exchange correspondent accounts in DEM due to the introduction of the EURO and withdrawal of the DEM from circulation as of January 1, 2002.

In 2001 all foreign exchange trades, without exception, were held in the KASE electronic trading system on the basis of the open trade method. The majority of participants operated in remote access regime.

Two market-makers, Bank TuranAlem OJSC (USD, RUR) and Bank CASPIAN OJSC (RUR) operated on the Exchange in the foreign exchange sector during the entire year. Market-makers maintained the obligatory quotations of the currencies specified during the entire additional day session. From 15 November until the end of 2001, the KASE temporarily granted the RUR market-makers the opportunity not to have to maintain the obligatory quotations, permitting them to simultaneously put bids and offers for other banks²³.

In total, 753 (750)²⁴ trade sessions were held with foreign exchange during 2001. Traditionally, the morning (main) sessions were the most efficient ones. They accounted for 80.8% (83.8%) of all deals made in terms of volume.

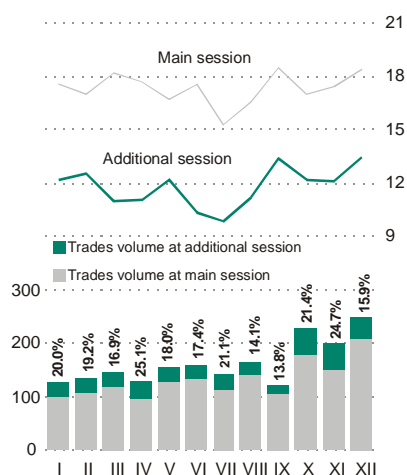
In comparison to 2000, the additional day session turnover increased from 15.5% to 18.9%, however there were no significant changes because the banks' clients preferred to buy and sell foreign exchange during the morning trades (Fig. 43). The summarized settlement structure of the foreign currencies exchange turnover on the KASE is shown in Table 26.

A total of 16,438 (21,828) deals were made in 2001 in USD using different settlement terms in the Exchange trading system: with DEM – 3 (56), with EUR – 9 (33), and with RUR – 57 (5). From 6 (12) up to 23 (24) traders worked simultaneously during the morning trades.

Detailed data on the volumes of foreign exchange trades on the KASE are given in Table 27. For comparison, the volume of foreign exchange trades on the Exchange in 2000 equaled²⁵ USD 1,743 420.4 thousand, in 1999 – USD 2,124 845.2 thousand, in 1998 – USD 1,312 930.1 thousand, in 1997 – USD 1,115 341.8 thousand, in 1996 – USD 1,314 637.0 thousand, in 1995 – USD 2,017 096.0 thousand and in 1994 – USD 1,14 314.0 thousand.

There were no significant changes in the currency turnover structure in the reporting period. When estimating the turnover structure in tenge equivalent, 99.81% (99.90%) of the total volume of exchange deals made were those made in USD; 0.001% (0.03%) – in DEM; 0.016% (0.05%) – in EUR, and 0.17 (0.02%) – in RUR. Thus, in comparison to 2000, the KASE foreign exchange turnover structure did not change significantly. The increase in the RUR turnover share and the absence of traders' interest in operating with European currencies should just be mentioned.

Figure 43. Trades volume, share of day session and number of participants



²³ Only market-makers have the right to quote RUR for purchase and sale on the KASE. Other participants may carry out transactions only on the basis of such prices.

²⁴ The relevant indicator of 2000 is shown in brackets from here and throughout this Section of this Chapter.

²⁵ The USD equivalent is given.

Table 26. Settling structure of turnover at KASE in 2001 (% of total deals volume)

Settle- ment type	USD	DEM	EUR	RUR	On all
TOD	97.4	0.001	0.009	0.169	97.6
TOM	2.3	0	0.006	0	2.3
SPOT	0.102	0	0	0	0.102
TOTAL	99.81	0.001	0.016	0.169	100.0

Figure 44. Sector structure of currency market turnover and KASE share

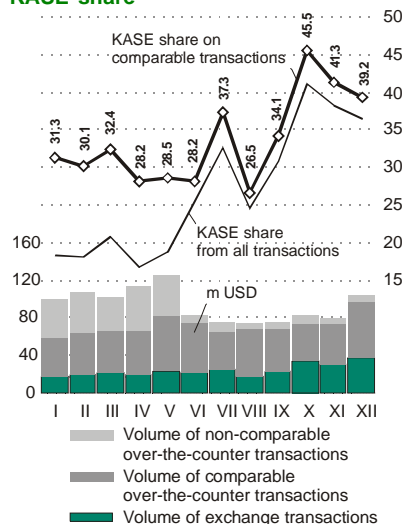
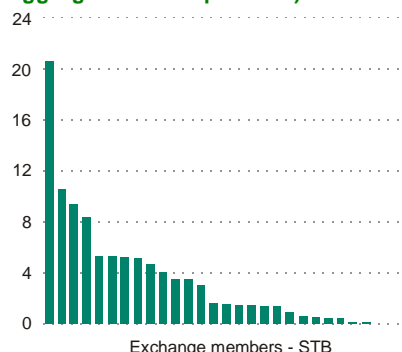


Figure 45. Degree of USD exchange market monopolization (% of aggregate brutto-position)



The foreign exchange turnover structure on the inter-bank OTC market significantly differed from the KASE. So, when carrying out operations between residents banks, the USD share did not exceed 98.15%, the RUR share equaled 0.89%, DEM – 0.35%, EUR – 0.60%.

When carrying out operations with non-residents, the turnover structure significantly changed towards a RUR share increase. Its share, according to the results of 2001 in the given market segment, was 64.71%. The USD share equaled 34.20%, DEM – 0.96%, EUR – 0.14%. The data produced demonstrated the fact that Kazakhstan's main trading partner is Russia, as previously (20.2% of export and 45.4% of Kazakhstan import).

In 2001, the proportion of foreign currency turnover [ed: transactions] on the Exchange to comparable transactions in the Kazakhstan market varied from 28.2% (April) to 45.5% (October). On average, this figure equaled 33.8% per year. In 2000, the proportion did not exceed 33.08%. In 1999, when the sale of half of currency earnings from the export of goods, works and services was mandatory (from April 5, 1999 until November 15, 1999), it did not exceed 49.81%.

When calculating these figures, it was assumed that only resident banks of Kazakhstan could make deals on the Exchange. Therefore, the comparison of Exchange turnover could be made only with volumes of OTC market deals made between the resident banks.

The turnover on the KASE amounted to USD 7,599.9 million (USD 7,501.0 million)²⁶, including: on the KASE – USD 1,961.9 million (USD 1,743.4 million), on the OTC market between resident banks – USD 3,850.9 million (USD 3,532.7 million), on the OTC market with non-residents of Kazakhstan²⁷ – USD 1,787.1 million (USD 2,224.9 million).

The share of the most active (according to the volume of deals made) second-tier bank in USD trades gross volume amounted to 20.6% (19.3%), and significantly increased in comparison to 2000. The general rate of monopolization was slightly reduced, because four second-tier banks controlled only 48.9% (in 2000 – 51.1%), eight – 69.8% (75.1%), eleven – 82.4% (86.7%), and fifteen – 91.6% (93.4%). During the year, 29 (31) banks participated in trades.

The data showed that, as previously, the situation on the currency market of the Exchange was determined by only 6-8 participants. No major changes were observed during the last four years in the market monopolization rate.

According to the results of 2001, the most active participants of foreign exchange trades on the KASE among second-tier banks were as follows:

1. Bank TuranAlem OJSC (17.1% of gross turnover in KZT equivalent).
2. KAZKOMMERTSBANK OJSC (8.8%).
3. CITIBANK KAZAKHSTAN CJSC (7.8%).
4. Halyk Bank of Kazakhstan OJSC (7.0%).
5. DB ABN AMRO Bank Kazakshtan CJSC (4.4%).

Table 27. Volume of trades in foreign currencies at KASE

Month	Trades volume, th. units				Trades volume, th. KZT	Turnover equivalent, th. USD	
	USD	DEM	EUR	RUR		to 2000	2001
January	125,730	–	–	12,400	18,338,898.5	+41,997.4	126,166.7
February	132,955	–	–	10,300	19,373,758.2	+5,706.5	133,314.1
March	144,895	10	–	8,000	21,120,811.5	+2,480.9	145,178.9
Q1, total	403,580	10	0	30,700	58,833,468.2	+50,184.8	404,659.7
April	129,320	–	–	11,200	18,878,830.6	-5,597.9	129,707.7
May	160,730	35	80	2,900	23,514,698.4	+33,659.4	160,916.6
June	142,315	–	–	3,600	20,879,697.2	+2,564.5	142,438.8
Q2, total	432,365	35	80	17,700	63,273,226.1	+30,626.0	433,063.2
July	165,025	–	25	200	24,224,156.0	+27,868.9	165,053.2
August	121,670	–	–	900	17,911,028.2	-64,565.5	121,700.7
September	155,295	–	35	25,000	23,067,556.2	-17,349.8	156,176.2
Q3, total	441,990	–	60	26,100	65,202,740.4	-54,046.4	442,930.1
October	227,605	–	10	3,600	33,710,986.4	+118,607.9	227,735.8
November	203,550	–	60	13,500	30,317,880.0	+65,952.6	204,056.9
December	249,190	–	135	5,000	37,503,434.0	+7,175.4	249,475.1
Q4, total	680,345	–	205	22,100	101,532,300.3	+191,736.0	681,267.8
2001, total	1,958,280	45	345	96,600	288,841,735.0	+218,500.4	1,961,920.7

²⁶ The indicators for 2000 are given in brackets.

²⁷ Half of the secondary trading transaction amount.

INTERBANK DEPOSITS INDICATORS

Table 28. Table of monthly average values of deposits interbank market indicators in 2001

Mo- nth	Indi- cator	7 days	14 days	Mo- nth	Two mo- nth	Three mo- nth
I	KIBOR	7.66	8.45	9.35	10.33	11.19
	KIBID	2.87	3.57	4.36	5.20	5.96
	KIMEAN	5.27	6.01	6.85	7.76	8.57
II	KIBOR	7.64	8.48	9.37	10.27	11.15
	KIBID	3.29	4.05	4.78	5.45	6.05
	KIMEAN	5.46	6.26	7.08	7.86	8.60
III	KIBOR	7.18	8.03	8.96	9.86	10.73
	KIBID	2.42	3.25	4.09	4.90	5.69
	KIMEAN	4.80	5.64	6.53	7.38	8.21
IV	KIBOR	7.45	8.22	9.02	9.84	10.62
	KIBID	2.88	3.56	4.18	4.88	5.46
	KIMEAN	5.16	5.89	6.60	7.36	8.04
V	KIBOR	8.88	9.55	10.21	11.03	11.78
	KIBID	3.85	4.42	4.97	5.62	6.29
	KIMEAN	6.37	6.98	7.59	8.32	9.04
VI	KIBOR	7.87	8.68	9.54	10.38	11.16
	KIBID	3.31	3.99	4.75	5.39	6.09
	KIMEAN	5.59	6.34	7.15	7.89	8.62
VII	KIBOR	7.74	8.61	9.44	10.28	11.06
	KIBID	3.20	3.99	4.62	5.41	6.04
	KIMEAN	5.47	6.30	7.03	7.84	8.55
VIII	KIBOR	8.05	8.84	9.61	10.45	11.18
	KIBID	3.43	4.21	4.91	5.59	6.22
	KIMEAN	5.74	6.53	7.26	8.02	8.70
IX	KIBOR	7.28	8.05	8.79	9.58	10.27
	KIBID	3.20	3.93	4.68	5.39	6.04
	KIMEAN	5.24	5.99	6.73	7.49	8.16
X	KIBOR	7.04	7.88	8.73	9.65	10.23
	KIBID	3.03	3.73	4.43	5.09	5.65
	KIMEAN	5.03	5.81	6.58	7.37	7.94
XI	KIBOR	7.60	8.38	9.28	10.14	10.96
	KIBID	3.57	4.28	4.97	5.64	6.19
	KIMEAN	5.58	6.33	7.13	7.89	8.57
XII	KIBOR	8.70	9.57	10.37	11.10	11.84
	KIBID	4.19	4.84	5.53	6.13	6.71
	KIMEAN	6.45	7.21	7.95	8.61	9.28

On July 11, 2000 the professional participants of the financial market of Kazakhstan, in the person of the biggest banks, made a decision to create in Kazakhstan a generally accepted indicator of the interbank deposits market which, according to the methodology of its formation, could be the Kazakhstani analogue of LIBOR. For this purpose, a Memorandum on formation of an interbank deposits market indicator was produced. The parties to the Memorandum authorized the KASE to collect current deposit rates from the parties to the project and to calculate the indicator.

According to the terms and conditions of the Memorandum, participants voluntarily assumed the obligation to put up bid and offering rates daily for all deposits of different maturities in the KASE trading system as determined by the Exchange Council. The deposit quotation and indicator calculation procedure was regulated by the KASE internal document "The interbank deposits market indicator formation procedure" as approved and put into effect by a decision of the KASE Board on July 11, 2000. The representative list of banks, on the quotations of which the indicator was calculated, was determined by the Exchange Council on the basis of an analysis of a bank's reputation and its activity level in the deposits market. Banks were obliged to sign the Memorandum in order to be allowed to take part in formation of the indicator.

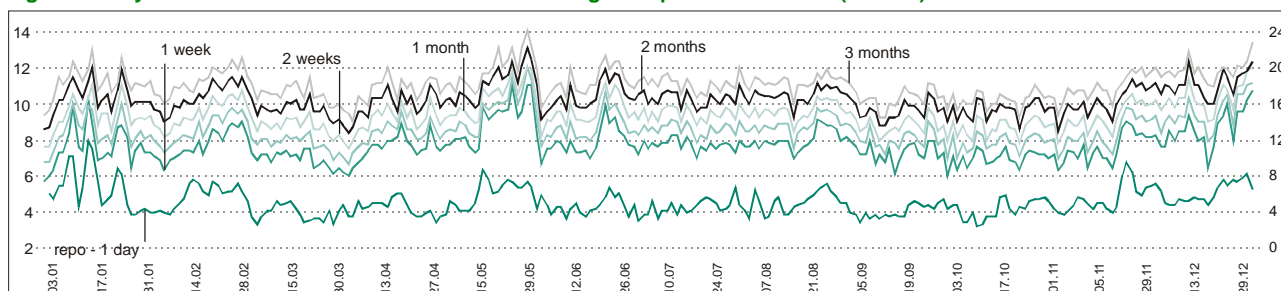
During 2001 the procedure for forming the indicator of the given sector did not change. The list of quoted instruments did not change either. Fixing of the rate at the KASE was held daily on the basis of participants' quotations at 16:00 ALT. The Exchange calculated three indicators:

- **KIBOR** – average value of offering rates;
- **KIBID** – average value of bid rates;
- **KIMEAN** – average difference between the offering and borrowing rates.

During the year the quotations were regularly produced by ten participants: Subsidiary Joint-stock Bank ABN AMRO Bank Kazakhstan, Demir Kazakhstan bank OJSC, AMB OJSC, Kazkommertsbank OJSC, Eurasian Bank CJSC, TEMIRBANK OJSC, HALYK BANK OF KAZAKHSTAN OJSC, CITIBANK KAZAKHSTAN CJSC, Bank TuranAlem OJSC, and Bank CenterCredit OJSC. Deposit quotations were carried out daily by 3-10 banks, on average – by six. During the reporting period, the list of banks signing the Memorandum did not change.

As shown in the given diagram (Fig. 46), regardless of the indicative character of bank quotations, the indicators were sensitive to change in the money market during the year. A comparison of the indicators with the synchronous real rates in the KASE repo sector gave a positive correlation. For the "KZT007D - repo 6-8-days" the paired correlation coefficient was 0.2840, for the "KZT014D - repo 12-16 days" row – 0.1475; for the "KZT030D - repo 27-33 days" row – 0.2230. A correlation was not calculated for the longest term KIBOR due to the absence of a representative sampling on synchronous repo deals. The paired coefficient of correlation between "overnight" repo rates values (the most representative sampling) and weekly KIBOR rates equaled 0.6187 based upon the results of the year.

Figure 46. Dynamics of KIBOR rates and actual "overnight" repo rates in 2001 (% APR)



FUTURES MARKET

All the developments in the given segment of the stock exchange market during the reporting period took place at the very end of the year – November and December. Until then, no single position on futures contracts was opened at the KASE. The last deal was carried out by the KASE trading system on November 24, 2000, when the November 6-months futures on USD1000 were calculated.

In November, the KASE offered participants a new instrument – 6-months futures based on the USD exchange rate to the Euro, in addition to 6-months futures for USD 1000. According to specifications, the Euro was deemed the futures contract underlying asset. The standard number of underlying assets in one contract was EUR 1000. As well as in the case of futures for USD 1000, the contract was a delivery free or settlement contract. This means that, as of the date of execution, the currency (underlying asset) was not delivered. The parties to the deal pay (receive) the tenge equivalent of the difference between the purchase (sale) price of the futures contract and the final settlement price of the underlying asset, based upon the results of the settlements. The latter represents the USD rate to the Euro as determined by the USA Federal Reserve System as of the date of contract execution. The Exchange used data from the REUTERS Agency as a resource for this indicator.

Trades involving this instrument were opened on the KASE on November 14, 2001. Regular futures quotations by one of the participants started on November 21, 2001. However, no single position was opened until the end of the year. The market did not express interest in the new instrument due to the high risks associated with trade.

At the same time, trades involving futures contracts for \$1000 were activated. The decision of the Exchange not to charge the participants in futures contracts trades the Exchange fee, as established by the Specifications to such contracts, contributed hereto as well. This measure was taken to restore the futures contract exchange market in Kazakhstan and had a certain success. Until the end of the year, futures for \$1000 were actively traded on the KASE. The first deal was made on 7 December, and the total volume of deals in December equaled USD 520,914 thousand, which was a record for the entire history of the Exchange.

Deals were carried out on 5 contracts. Futures that matured in May of 2002 (FUSD0205UN) proved to be the most tradable ones, according to the volume of deals (\$271,070 thousand). The April contract (FUSD0204UN) was the leading one according to the number of deals (37). A total of 103 deals involving futures for \$1000 were made during 2001. The volume of interest shown on certain days in all contracts, varied from \$ 9.4 million to \$ 62.9 million, and the volume of deals was \$94.8 million, which exceeded the corresponding indicator on the underlying asset in KASE trading by several times. Trade was made by only one clearing member of the Exchange, OJSC “TuranAlem Bank”, on 12 clients’ positional accounts.

Regardless of the above, the futures market in 2001 was still rather narrow. Active trade at the end of the year did not bring the new clearing members and their clients to the KASE, in spite of the fact that contracts offered by the Exchange were regularly quoted both for purchase and for sale with real spreads. All the positions on the KASE on futures contracts were closed as of the beginning of 2002.

SETTLEMENTS

SETTLEMENT PROCEDURES FOR CORPORATE SECURITIES

During the reporting period the KASE settlement procedures for corporate securities were not changed significantly in comparison to 2000. Basically, the following settlement schemes were applied via the Central Depository: The “T+N” scheme (where N was not more than 3 working days) and the “T+0” scheme.

According to the “T+N” scheme, settlement procedures for deals must be carried out not later than the third working day after making the deal

According to the “T+0” scheme, settlements were conducted on deals on which the delivery of securities and cash must be carried out on the same day the deal was made. Execution of a deal under this scheme could be carried out only via the Central Depository, in accordance with the procedure established by its internal regulatory documents.

In the event that the deal with securities is made on a “depo” account owned by a user of the KASE confirmation system, the Exchange must send him a notice on the details of the deal and, only upon receipt of confirmation from him, should information on the deal be transferred to the Central Depository for the purpose of carrying out settlements on the deal. In the event that a confirmation system user refuses to confirm a deal made on his “depo” account, the deal must be canceled immediately. The participant making the deal shall bear responsibility for cancellation of that deal.

In the event a deal with securities, settlements on which are carried out on the basis of the “T+0” scheme, is made on a “depo” account not owned by a confirmation system user, the KASE shall send information on the deal to the Central Depository to carry out further settlements.

For a period from the moment of signing a deal until the Central Depository begins settlements on the deal, the seller of the securities shall be obliged to ensure the availability of sufficient amount of securities in the depo account, and the buyer of the securities shall ensure that a sufficient amount of cash is deposited in his correspondent account.

The whole procedure from the moment of making a deal on the Exchange until the moment of its execution takes from 10 to 20 minutes.

The “Outright” scheme shall be used on deals carried out by means of the direct deals method. Execution of the deals made on this scheme must be carried out by trade participants in the places and within the deadlines specified in the corresponding Exchange certificates.

Settlements on deals in the “Non-listing securities” sector may be carried out via accounts with independent registrars. In this case the participants in a deal shall independently submit the Exchange certificates on the deal made to the independent registrars for carrying out settlements.

Execution of deals with securities on the official list was carried out via the Central Depository.

In the event that settlements are carried out by means of the “Outright” scheme via the Central Depository, the KASE shall transfer to the Central Depository the information on the deals made and, while executing the deals, the Central Depository shall transfer the data on them to the KASE.

SETTLEMENT PROCEDURES ON STATE SECURITIES

During the reporting period all settlements on state securities on the KASE were carried out based on the “T+0” scheme. This means that settlements in securities and cash were made on the date of making the deal. Execution of the deals by means of this scheme should be carried out only via the Central Depository in accordance with the procedure established by its internal regulatory documents. Cash settlements by means of the “T+0” scheme should be made only via the correspondent accounts of the trade participants opened by the National Bank of Kazakhstan. Participants in trades, who did not have their

own correspondent accounts at the National Bank, should make settlements via the correspondent accounts of the KASE or third persons who had accounts at the National Bank.

The whole procedure, from the moment of making a deal on the Exchange until the moment of its execution, takes from 10 to 20 minutes.

SETTLEMENT PROCEDURES FOR FOREIGN EXCHANGE

The KASE settlement procedures on the results of foreign exchange trades did not undergo significant changes in comparison to 2000.

During the reporting period, all settlements of foreign exchange deals that took place on the Exchange were carried out by the KASE clearing house. The department's activities were regulated by the regulatory documents of the KASE, "Settlement rules for foreign exchange trades", "Trade and settlement rules for futures contracts", and other regulatory documents. Settlements in KZT and foreign currency were made based on the results of foreign exchange trades by making payments that settled net obligations created as a result of clearing counter claims and obligations on the deals.

Settlements in KZT

Settlements in KZT were made via the KASE correspondent account to the Payment System Department of the National Bank of the Republic of Kazakhstan in the interbank money transfer system using the payment system of the National State Enterprise "Kazakhstan Center for Interbank Settlements" (Almaty). The settlements were made in a real-time mode.

Settlements in foreign currencies

In 2001, the work of the international correspondent network of the Exchange was maintained primarily through the S.W.I.F.T. communication system. "Bank-client" payment systems were used as a reserve system to work with correspondent banks.

During the reporting period, the KASE continued cooperating with the following correspondent banks: Deutsche Bank (settlements in USD, New York, USA); The Bank of New York (USD, New York, USA); Commerzbank AG (DEM, EUR, Frankfurt on Main, Germany); Deutsche Bank AG (DEM, EUR, Frankfurt on Main, Germany); Savings Bank of Russia (RUR, Moscow, Russia).

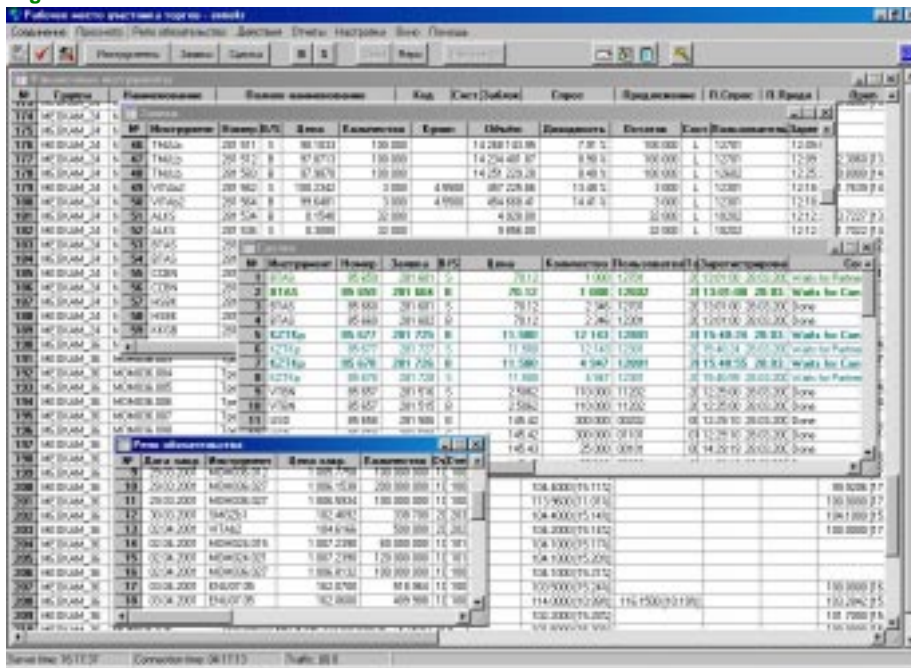
On September 30, 2001, the DEM correspondent accounts of Commerzbank AG and Deutsche Bank AG were closed due to withdrawal of that currency from circulation as of January 1, 2002.

TECHNOLOGIES

KASE SOFTWARE AND HARDWARE TRADING SYSTEM

In 2001, the KASE significantly modified its processing base. Hewlett Packard RISC servers, used since 1996, had exhausted their production resources. A further increase in production capabilities or substitution of the fastest RISC servers were considered inexpedient by the Exchange, due to the high costs.

Figure 47. Software environment "Universal trade module"



The screenshot displays a complex software interface for trading. It features several overlapping windows and data tables. The main window shows a list of market participants or orders with columns for ID, Name, and various numerical values. Other windows show detailed order books or trading statistics. The interface is typical of early 2000s financial software, with a menu bar at the top and multiple panes for data visualization and management.

Therefore, after a number of positive tests concerning the required processing efficiency, the Exchange made a fundamental decision to replace the RISC processing platform with CISC processors.

In March 2001 the KASE installed two multiprocessing servers (host server and reserve server). The KASE gained an advantage in the general efficiency of the trading system because of the large number of highly efficient processors used.

Additionally, the Exchange made a fundamental decision to use the Linux system as an operating platform. Aside from a sufficient level of reliability, this system provided a great degree of independence in the choice of equipment.

In August 2001, the KASE completed the transfer of the KASE developed trading software to the new technological platform.

A brief description of the main technical and functional characteristics of the KASE software and hardware trading system is given below:

- ❑ "Client-server" ideology, TCP/IP protocol.
- ❑ The server part of the trading system was designed in C++ language and supports the Linux and HP-UX operating systems.
- ❑ The clients' part of the trading system was designed in C++ language in Builder v.5.0 environment for a Win32 platform.
- ❑ The KASE trading system was protected against temporary power failures with UPS and a diesel generator.
- ❑ The KASE trading system ensures real time participation in trades, including from the remote terminal. A particular feature of the trading system is its flexibility, which allows it to operatively set and modify certain modules to trade the different financial instruments, taking into consideration the requests of market participants.
- ❑ The trading system has a special interface with the internal informational systems of trade participants, which allows it to organize systems similar to internet-trading systems.

During the entire year, according to market participants' requests, the Exchange modified the server and the clients' part of the trading system. A number of the human engineering solutions that increase the efficiency of work with traders were implemented; operating speed was significantly increased by means of optimization of the software module. The system was adjusted to making repo transactions in the automatic regime by the method of continuous counter auctions, as well as to carrying out auctions for IFI bonds, inclusive of those denominated in foreign currencies.

In 2001, the advantages of the KASE trading system were evaluated by colleagues from Kyrgyzstan. In December 2001, the Kyrgyz Stock Exchange KSE,

Figure 48. Portal of Kazakhstan interbank market of deposits indicators



Figure 49. Portal of exchange market of foreign currencies



Figure 50. Portal of corporate securities market



Bishkek) bought the KASE trading system. The sale was carried out at the expense of purchase by the KASE of a share of KSE authorized capital. The technological binding of two neighboring friendly exchange sites allows both parties to rely upon the future high quality implementation of mutually beneficial projects.

ADVANCED TECHNOLOGIES DEVELOPMENT

Official KASE Representation on the Internet

In 2001, the KASE together with the subsidiary Informational Financial Markets Agency IRBIS LLP and the web-designer firm Actis System Asia continued working on modernization of the official representation of the Exchange on the Internet – “Music of Financial Instruments” (www.kase.kz), which was supported in both the Russian and English languages.

The new version of the site was introduced on March 14, 2001. System users’ operational speed was significantly increased by means of pages optimization. In the new version, the section on market indicators, located on the title page, turned out to be a comfortable tool for analysts. Work with graphics became more comfortable due to the availability of the new option of changing parameters directly from the window line of command. When running the new version of the KASE site, the project was physically located on an especially modern and powerful server, dedicated to such purposes, and provided to the IRBIS agency by the EURASIA foundation under a grant. This significantly improved the system reliability and working speed.

The main value of the new version was in the infrastructure, oriented toward further expansion of the site by designing portal-pages, each dedicated to a certain sector of the Exchange market. Such pages allowed users not only to receive the results of trades in a financial instrument over the same day or a requested date, but also opened access to data archived in graphic or digital form. Along with launching the new version, users received access to the portal for indicators of the Kazakhstan inter-bank deposit market (Fig. 48, <http://www.kase.kz/portals/kibr/>). At the end of July 2001, access to the portal of the foreign exchange stock market (Fig. 49, <http://www.kase.kz/portals/cur/>), and at the end of November – to the portal of the CS market (Fig. 50, <http://www.kase.kz/portals/sec/>) were opened. In 2002, the KASE and IRBIS plan to create and support portals for the state securities market, and repo and special pages dedicated to KASE indexes.

Besides the innovations described, in 2001, access to new sections of the site dedicated to evaluations of the ratings of banks and businesses was established, a number of references (the main parameters of listed bonds issues, the KASE issuer identification codes, etc.) which are updated daily were created, and a section dedicated to seminars and conferences was opened in addition, a commercial advertising page was created (<http://www.kase.kz/profmarket/>), on the pages of which the Exchange supported the web-presentations of broker-dealer companies, as well as of issuers, whose securities were traded on the KASE (Fig. 51).

Simultaneously, the continuous updating of existing sections of electronic representation was managed: information on issuers (504 pages in Russian and 475 in English), the KASE regulatory base (164 pages), general information (a historical reference on the KASE was added), weekly and subject review of the market, the KASE news and the financial market news. During the year, the KASE and IRBIS experts published 6,733 news articles in Russian and 6,696 in English, and 99 weekly and subject reviews in Russian and the same number in English, on the site. In total, by the end of 2001, the site database contained 19,139 new articles in Russian and 15,338 in English, covering the period from 01.12.98 to present. The analytical section of the site at the end of the reporting year contained 374 reviews in Russian and 199 in English, as well as the KASE annual and quarterly reports. Efficient access to text information was ensured with special site pages and through a system of context end-to-end search. Trade information, located in the site’s database and accessible through a set of portal-pages tools and sections of the indicators, contained 71,925 notes at the end of 2001.

The work of the Exchange on its official representation on the Internet was noted in Kazakhstan. At the first Kazakhstan internet forum, which took place in Al-

Figure 51. Advertizing commercial site sector



Figure 52. Title page of web site www.etrade.kz



maty on May 31, 2000 under the aegis of the Seventh Central Asian International Telecommunication Exhibition, KITELE, the site was acknowledged as the winner of the nomination for "Best Business Site of KITELE 2000" and the Exchange received a Grand Prix from Nursat company, a general sponsor. In 2001, at the second forum, the site was awarded the title "Best informational Project of KITELE 2001 in Kazakhstan".

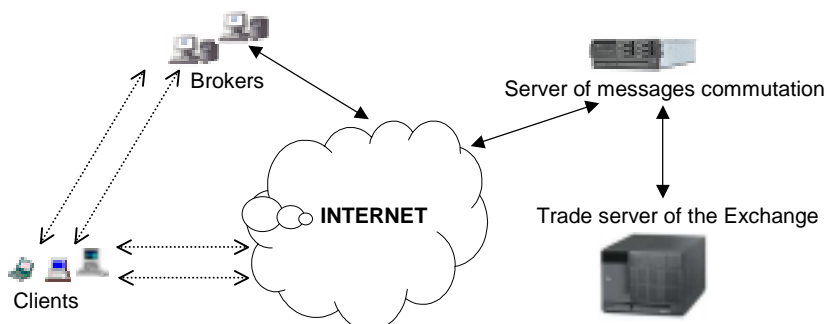
"eTrade.kz" project

Throughout 2001 the KASE has been designing a special project called "eTrade.kz". The basic purpose of it is the organization of internet trading on the KASE.

The project is organized as follows. Broker companies and their clients cooperate via special software interfaces, using the Internet. Clients have an opportunity to review Exchange information (quotations, etc.) in real time, as well as to give orders to make deals to the brokers, who, on the basis of the orders, may put up quotes in the KASE trading system. The processing of the orders may be carried out automatically, and the client may observe the information on orders status, on his portfolio status, and other data which characterize his market positions. The broker's seat allows to keep records of clients' accounts and positions. All system informational flows are cryptographically protected according to SSL standards. Besides the possibilities indicated, the broker and client's connections allow them to exchange different information that does not relate to their operations on the KASE. Figure 53 shows the work of the project schematically.

A special web-site www.etrade.kz (Fig 52) has been designed to facilitate brokers' interaction with their clients, advertising, as well as promotion of projects on the KASE27. Using this site, internet users may receive information on the project, and on authorized broker companies that render internet-trading services. They may try out conducting operations in the demonstration mode, as well as send inquiry messages to the broker company regarding concluding a contract. The project calls for the possibility of modifying the system to integrate with the systems of broker companies back-offices.

Figure 53. Work scheme of "eTrade.kz" project



²⁰ The pilot run of the project is planned for the second half of 2002. Before that time the site may be closed due to development (settings) work.