

KASE CLEARING CENTRE JSC

REPORT

on compliance of KASE Clearing Centre JSC with CPMI-IOSCO PFMI principles

1. Introduction

The document "Principles of financial market infrastructures" published by the International Organization of Securities Commissions (IOSCO) jointly with the Committee for Payment and Settlement Systems (CPSS) on April 12, 2012 (hereinafter, the Principles), presents 24 fundamental operating principles of financial market infrastructure organizations. These Principles establish the rules and requirements that must be observed by organizations that act as central counterparties, trade repositories, central securities depositories and payment systems (hereinafter, FMIs). The principles are intended to help ensure safety, effectiveness and stability of FMIs.

FMIs are required to disclose information on their level of compliance with the Principles every two years. This document is a report on compliance of KASE Clearing Centre JSC (hereinafter, KACC) with Principles applicable to functions of a central counterparty, clearing and settlement of financial instruments.

2. Description of FMI

KACC is a joint-stock company, a subsidiary of the Kazakhstan Stock Exchange joint-stock company (hereinafter, the Exchange), created through reorganization (transformation) of the eTrade.kz limited liability partnership which sole founder (shareholder) was the Exchange.

The main activities of KACC are clearing activities for transactions with financial instruments and activities for implementing certain types of banking operations. At the same time, KACC acts as a central counterparty (CCP).

KACC provides clearing services based on the relevant license issued by the Republic of Kazakhstan's Agency for Regulation and Development of the Financial Market (hereinafter, ARDFM, the authorized body) in 2023. Today, KACC is the only organization that carries out clearing activities under the Republic of Kazakhstan's legislation and provides CCP services in the stock and currency markets as well as the derivatives market.

By performing the CCP functions, KACC assumes the risks of non-fulfillment of obligations by clearing participants and simultaneously guarantees fulfillment of obligations to each bona fide clearing participant. This allows clearing participants to assess only the CCP risks when concluding transactions, thereby mitigating the counterparty's credit risk.

The CCP risk management system, which is based on uniform approach to risk assessment across all markets, is aimed at ensuring its reliability and stability in any market situation.

The main objectives of the risk management system of KACC as the CCP are:

- reducing the potential losses by limiting the level of assumed risks across all serviced markets;
- ensuring sufficient funds to cover potential losses both through collateral provided by clearing participants and through own funds;
- ensuring reliable functioning of the clearing and settlement system, including through the timely identification of risks and measures of prompt and adequate response when risk events occur.

The main and primary objective of KACC is to ensure financial stability in the serviced markets through a reliable and stable risk management system that meets international standards and to provide market participants with clearing, settlement and CCP services that comply with best international business practices.

The multilateral netting services provided by KACC enable clearing members to improve investment effectiveness and reduce transaction costs.

On December 26, 2024, the Board of Directors decided to instruct the Management Board to carry out measures to obtain a brokerage license as part of concept of KACC's participation in development of liquidity on KASE Global.

Since June 10, 2025, KACC has expanded its activities in the securities market, receiving the right to carry out brokerage activities without the right to maintain client accounts as a nominee holder and dealer activities.

Control and supervision of the financial market and financial organizations in the Republic of Kazakhstan are carried out by the National Bank of the Republic of Kazakhstan (NBRK) and the Republic of Kazakhstan's Agency for Regulation and Development of the Financial Market (ARDFM) (hereinafter, the control and supervisory bodies) within the limits of their competence. KACC carries out its activities in accordance with the Republic of Kazakhstan's legislation, in particular with the laws "On the Securities Market", "On Joint-Stock Companies", "On Banks and Banking Activities in the Republic of Kazakhstan" and regulatory legal acts of the NBRK and ARDFM.

Key Indicators

KACC provides services to 58 clearing participants, including:

- in the stock market – 50 clearing participants, including 1 participant of the remote trading system (Tabadul Hub);

- in the currency market – 43 clearing participants, including 7 financial organizations of the trading environment (NTPro);
- in the derivatives market – 25 clearing participants.

There are 1,652 financial instruments (including the possibility of opening repo and swap operations for different terms) from 289 issuers under clearing services, including:

- shares – 158 instruments from 140 issuers;
- bonds – 891 instruments from 160 issuers;
- foreign currencies – 7 currency pairs.

Net clearing is carried out for 341 financial instruments (financial instruments included in the list T+).

265 financial instruments are accepted as collateral (financial instruments included in the collateral list T+).

KACC carries out clearing activities in accordance with concluded contracts for clearing services, which determine the procedure and conditions for interaction with clearing participants.

1. Principles

Principle	Compliance	Description
<p>1. Legal basis <i>FMI should have a sound, clearly formulated, transparent and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</i></p> <p>Complies Criterion 5 of the Principle is not applicable</p>		
<p><i>Criterion 1</i> The legal basis should provide a high degree of certainty on each material aspect of the FMI's activities in all relevant jurisdictions.</p>	<p>Observed</p>	<p>In the KACC's activities, the applicable law is the law of the Republic of Kazakhstan.</p> <p>The legal basis for clearing activities and the central counterparty activities is the Republic of Kazakhstan's Law dated 07/02/2003 No. 461-II "On the Securities Market" (hereinafter, the SM Law) and the relevant regulatory legal acts of control and supervisory bodies on clearing activities and the central counterparty, in particular:</p> <ul style="list-style-type: none"> – decree of the NBRK Management Board dated October 29, 2018, No. 254 "On approval of the Rules for clearing activities for transactions with financial instruments"; – decree of the NBRK Management Board dated February 24, 2012, No. 59 "On approval of the Requirements for the risk management system of a clearing organization, the conditions and procedure for risk monitoring, control and management in a clearing organization"; – decree of the NBRK Management Board dated January 28, 2016, No. 11 "On approval of the Requirements for the risk management system of a central counterparty, the conditions and procedure for monitoring, control and management of risks of a central counterparty". <p>In accordance with Article 77-1 of the SM Law:</p> <ul style="list-style-type: none"> - clearing activities for transactions with financial instruments may be carried out by organizations that have licenses for clearing activities for transactions with financial instruments, and the central depository; - the settlement organization may be a central depository and/or a stock exchange and/or a clearing organization and/or another organization that has a license for transfer operations. <p>In accordance with Article 77-2 of the SM Law, a clearing organization's functions are:</p>

		<ol style="list-style-type: none"> 1) receiving and processing the information on concluded transactions, its verification and adjustment in accordance with internal documents of the clearing organization; 2) taking into account the parameters of concluded transactions, information on their confirmation, full or partial execution or non-execution; 3) determination of requirements and/or obligations of the participants in a transaction with financial instruments, entities participating in settlements (parties to transactions making payments or transfers of financial instruments), as a result of concluding the transactions with financial instruments; 4) preparation and transmission of orders based on results of clearing activities of the settlement organization; 5) in case a clearing organization performs the functions of a central counterparty, issue of general collateral certificates; 6) other functions specified by the Republic of Kazakhstan's legislation and a clearing organization's internal documents. <p>In case KACC opens bank accounts in foreign banks (settlement organizations) outside the Republic of Kazakhstan's territory, the requirements of legislation of the country where KACC is located apply to contractual relations with such organizations, unless the agreement between KACC and the foreign bank provides otherwise (USA, EU, Russian Federation and other relevant jurisdictions).</p> <p>KACC interacts with the authorized body and the NBRK (hereinafter, the control and supervisory bodies), and other state bodies in order to ensure in regulatory acts a high degree of legal certainty in every significant aspect of KACC's activities.</p> <p>In the Rules of clearing activities for transactions with financial instruments (hereinafter, the Clearing Rules), KACC established the conditions for clearing activities and CCP functions in accordance with the Republic of Kazakhstan's legislation.</p> <p>KACC carries out the CCP functions in the stock market.</p> <p>KACC carries out its activities based on the following internal documents: In terms of the Clearing House's activities:</p>
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<p><i>Criterion 2</i> FMI should have rules, procedures and contracts that are clearly stated, understandable and consistent with the current laws and regulations</p>	Observed	<p>The clearing rules undergo approval by the main units of KACC, including the Clearing House, the Legal Department, as well as the Central Depository and clearing participants, and are approved by the Board of Directors that includes independent experts and representatives of the control and supervisory bodies. This approval procedure is aimed at ensuring transparency and maximum certainty of the procedures described in the Clearing Rules, as well as compliance with requirements of the Republic of Kazakhstan's legislation, the main trends in development of financial markets and the needs of market participants</p> <p>According to the Clearing Rules, <i>an open offer mechanism</i> is applied to the CCP transactions, which is a way of fulfilling the contractual obligations on concluded transactions by automatically incorporating the CCP into the transaction.</p> <p>Thus, after the conclusion of a transaction, KACC, performing the CCP functions, automatically becomes the counterparty to this transaction, being the seller for each buyer and the buyer for each seller.</p>

		<p>KACC acquires a special right to create by its actions the responsibilities for clearing participants, including acceptance and execution by a clearing participant of the obligations on all transactions concluded on its behalf by KACC as part of default settlement procedures in accordance with requirements of the Clearing Rules and other internal documents of KACC.</p> <p>A clearing participant, upon joining the Contract for clearing and settlement services by signing the Application for assignment of the clearing participant status and joining the contract for clearing and settlement services, agrees to all conditions and procedure of the KACC services, as defined by the Clearing Rules, the Regulation on clearing participants and other internal documents of KACC related to clearing activities</p>
<p><i>Criterion 3</i></p> <p>FMI should be able to clearly and understandably define the legal basis for its activities to relevant competent authorities, participants and, if necessary, the clients of participants</p>	Observed	<p>KACC carries out its activities based on the Republic of Kazakhstan's legislation, the charter and internal documents defining the legal basis for KACC's activities. The conditions of contracts for clearing services with clearing participants are defined in the Clearing Rules and in the Regulations on Clearing Participants. These documents are freely available on the KACC's website</p>
<p><i>Criterion 4</i></p> <p>FMI should have rules, procedures and contracts that are enforceable in all relevant jurisdictions. A high degree of certainty is needed that actions taken by the FMI based on such rules and procedures will not be suspended, invalidated or have retroactive effect</p>	Observed	<p>Reflection in the KACC's internal documents, including the Clearing Rules, of the control and supervisory bodies meeting the Republic of Kazakhstan's legislation, regulatory legal acts and, as a consequence, reducing the risk of recognition of KACC's actions as invalid (retroactive/suspended) / recognition of agreements as invalid in accordance with these rules is ensured by conducting a legal examination of documents by the KACC's legal unit and representatives of control and supervisory bodies.</p> <p>In accordance with paragraph 2 of Article 77-3 of the SM Law, the relations of a clearing organization with entities using the services of the clearing organization are determined by the Rules of the clearing organization</p>
<p><i>Criterion 5</i></p> <p>FMI operating in several jurisdictions should identify and mitigate risks arising from potential conflict of laws in different jurisdictions</p>	Not applicable	<p>Not applicable to KACC.</p> <p>KACC operates in the territory of the Republic of Kazakhstan.</p>
<p>2. Governance</p> <p><i>FMI should have a clear and transparent governance system that ensures safety and effectiveness of the FMI, as well as stability of the financial system in a broader sense, other aspects of public interest, and achievement of stakeholders' objectives.</i></p>		

Complies		
<p><i>Criterion 1</i></p> <p>FMI should have objectives that prioritize safety and effectiveness of the FMI and explicitly support financial stability and other aspects of public interest.</p>	<p>Observed</p>	<p>Safety and efficiency of KACC is ensured by compliance with requirements of the authorized body regarding the organizational structure, risk management system, software and hardware complex and other specific aspects of a clearing and settlement organization's activities.</p> <p>KACC is also guided by its risk management policies and rules. Continuity of KACC's operations is ensured under an agreement with the Exchange for provision of access to software and information and communications infrastructure that includes measures to ensure information and technical security necessary for stable and continuous functioning of the Exchange and KACC.</p> <p>The conditions and procedure for functioning of the (corporate) governance system, the competence, duties and responsibility of its bodies are determined by the Republic of Kazakhstan's Law "On Joint-Stock Companies", the SM Law, Resolution of the NBRK Management Board dated January 28, 2016, No. 11 "On approval of Requirements for a central counterparty risk management system, the conditions and procedure for monitoring, control and management of central counterparty risks", Resolution of the NBRK Management Board dated February 24, 2012, No. 59 "On approval of the Requirements for the risk management system of a clearing organization, the conditions and procedure for monitoring, control and risk management in a clearing organization", the KACC's Charter, the Corporate Governance Code, the Conflict of Interest Management Policy, the regulations on the KACC bodies and committees (https://kacc.kz/corporate_documents), as well as an individual agreement with members of the KACC's Board of Directors.</p> <p>The KACC's Board of Directors (minutes of the meeting dated December 24, 2024, No. 23) approved the KACC development areas included in the Development Strategy for 2025–2027, which specify the following development areas: increasing of liquidity in the exchange markets by expanding the range of financial instruments and services, establishing the trading and clearing links with partner exchanges, expanding the circle of issuers and investors; developing the central counterparty as a key infrastructure element; modernizing the external and internal infrastructure and introducing the innovations; increasing of value for stakeholders.</p>

<p><i>Criterion 2</i></p> <p>FMI should have documented governance agreements that clearly and explicitly define duties and responsibility. These agreements must be communicated to the owners, relevant competent bodies, participants and, at a wider level, the public.</p>	<p>Observed</p>	<p>The organizational structure of KACC is a type of functional structure where units are organized in accordance with the functions they perform (clearing, settlement, etc.). The departments are supervised by the Management Board members. In many respects, the KACC's organizational structure is determined by requirements of the Kazakhstan's legislation, which apply to the organizational structure of a clearing organization and a central counterparty.</p> <p>The management structure of the KACC, according to the Republic of Kazakhstan's Law "On Joint-Stock Companies" (hereinafter, the JSC Law), Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated January 28, 2016, No. 11 "On approval of the Requirements for the risk management system of a central counterparty, the conditions and procedure for monitoring, control and management of central counterparty risks", Resolution of the NBRK Management Board dated February 24, 2012, No. 59 "On approval of the Requirements for the risk management system of a clearing organization, the conditions and procedure for monitoring, control and risk management in a clearing organization" and the KACC's Charter, consists of the supreme body that is the general meeting of shareholders, the governing body - the Board of Directors and the executive body - the Management Board. The KACC governance principles are described in the Corporate Governance Code published on the KACC's website.</p> <p>The Board of Directors, the Management Board and the Management Board Chairperson of KACC act based on the KACC's Charter. The competencies of the Board of Directors, the Management Board and the Management Board Chairperson are defined in accordance with the JSC Law, the Charter and the regulations on the relevant KACC bodies.</p> <p>The KACC's Charter, which sets out the division of competencies among the governing bodies, is available to the public on the KACC's website.</p> <p>The Board of Directors carries out its activities in accordance with the Republic of Kazakhstan's legislation, the Charter, the Corporate Governance Code and the Regulations on the Board of Directors, which reflect the rights, duties and responsibility of the members of the Board of Directors in performance of their functions.</p> <p>The KACC Management Board operates based on the Republic of Kazakhstan's legislation, the Charter, the Corporate Governance Code and the Regulations on the KACC Management Board, which establish, in</p>
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		<p>particular, the procedure for decision-making by the Management Board, the rights and obligations of the Management Board members, as well as other issues related to the Management Board's activities.</p> <p>The sole shareholder of KACC is provided with access to information in accordance with the current legislation of the Republic of Kazakhstan.</p> <p>Additionally, based on current legislation, KACC discloses its financial statements and other information about its activities that is material for clearing participants and other interested parties on its website www.kacc.kz. In addition, KACC sends to clearing participants the reports on clearing results, holds meetings with clearing participants and interacts with them through various communication sources.</p> <p>The Exchange discloses financial statements in accordance with international standards. The Exchange also discloses additional information about its activities that may be material for the shareholder, investors and other stakeholders, while maintaining a reasonable balance between the Exchange's openness and the protection of its commercial interests.</p> <p>The maximum possible amount of information about the Exchange is posted on the website www.kase.kz. The Exchange also discloses information through the media. Each significant event or action of the Exchange is accompanied by press releases distributed in the media</p>
<p><i>Criterion 3</i></p> <p>The roles and duties of the FMI's board of directors (or other similar governing body) should be clearly defined, and documented procedures should be adopted to govern its activities, including procedures for identifying, resolving and managing the conflicts of interest among members. The board of directors should regularly review the activities of the board as a whole and the performance of individual board members.</p>	<p>Observed</p>	<p>The KACC's Board of Directors carries out general management of the KACC's activities with the exception of issues assigned by the JSC Law to the competence of the General Meeting of Shareholders. The rights, duties and competence of the Board of Directors are defined by the Regulations on the Board of Directors and the Charter of KACC.</p> <p>The competence of the Board of Directors includes, in particular:</p> <ul style="list-style-type: none"> ✓ defining the priority activity areas of KACC and its development strategies or approval of the KACC development plan in cases specified by legislative acts of the Republic of Kazakhstan; ✓ approval of the main work plan of KACC and/or performance indicators (hereinafter, the scorecard), performing control and analysis of fulfilment, assessment of implementation of the main work plan of KACC and/or scorecard, as well as review of reports on their fulfilment; ✓ convening the annual and extraordinary general meeting of shareholders, drawing up its agenda, determining the form of holding the general meeting of shareholders (with holding of the general meeting of

		<p>shareholders by absentee or mixed voting), establishing the date, time and place of holding the general meeting of shareholders, determining the date for compiling the list of KACC shareholders entitled to participate in the general meeting of shareholders, establishing the date and time of holding a repeat general meeting of shareholders instead of the failed one;</p> <ul style="list-style-type: none"> ✓ issue of KACC shares or sale by KACC of shares repurchased by it, including determining the number of issued (sold) KACC shares within the number of authorized shares, the method and price of their issue (sale); ✓ repurchase by KACC of previously issued shares or other securities, determination of the price for their repurchase; ✓ preliminary approval of annual financial statements of KACC; ✓ approval of the regulations on committees of the Board of Directors, as well as approval of amendments to these regulations; ✓ determining the conditions for issue of bonds and derivative securities of KACC, as well as making decisions on their issue; ✓ election of members of the committees of the Board of Directors, including experts, and determination of the terms of their powers; early termination of powers of members of the committees of the Board of Directors, including experts; determination of the amounts and conditions of payment of remuneration to the experts that are members of the committees of the Board of Directors; ✓ determination of the number of members and the term of powers of the Management Board, election of the Management Board Chairperson and other Management Board members, as well as early termination of their powers; determination of the amounts of salaries and conditions of remuneration and bonuses for the Management Board Chairperson and other Management Board members; ✓ determining the quantitative composition and term of powers of the KACC's Internal Audit Service, appointment of the head and members of the KACC's Internal Audit Service, as well as early termination of their powers; determination of the operating procedures of the KACC's Internal Audit Service, the amount and conditions of remuneration and bonuses for employees of the KACC's Internal Audit Service;
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		<p>Article 15 of the KACC's Charter and other provisions of the Republic of Kazakhstan's legislation on joint-stock companies;</p> <ul style="list-style-type: none"> ✓ approval of budget policy, risk management policy, accounting, tax accounting and other policies; ✓ approval of annual budgets of KACC as well as changes and/or additions to these budgets; ✓ approval of the operating procedure of the Board of Directors as well as changes and/or additions to this procedure; ✓ determining the amounts, procedure and terms for payment of contributions, fees and other sums collected by KACC in the course of its activities (with exception of the amounts, procedure and terms for payment of fees and other sums determined by the Management Board when paying for one-time or additional, not general use, KACC services); ✓ approval of rules for purchase of goods, works and services; ✓ approval of KACC's business plan, monitoring its implementation and fulfilment; ✓ approval of key performance indicators of the Chairperson and members of the Board of Directors of the Company, their target and actual values; <p>According to the KACC's Charter, issues within the exclusive competence of the Board of Directors cannot be assigned to the competence of other KACC bodies, unless otherwise provided by the Republic of Kazakhstan's legislation.</p> <p>In order to prevent conflict of interest, the Board of Directors includes independent directors having sufficient independence to form their own position and able to make objective judgments independent of influence of the KACC's executive bodies, shareholder or other stakeholders. In accordance with requirements of the Republic of Kazakhstan's current legislation, at least thirty percent of the Board of Directors must be independent directors of KACC.</p> <p>The measures taken by KACC to identify, investigate and resolve conflicts of interest among members of the Board of Directors are revised as necessary.</p> <p>According to the Republic of Kazakhstan's legislation and the regulations on committees of the Board of Directors, there must be four functioning committees under the KACC's Board of Directors: Budget and Strategic Planning Committee, Personnel, Remuneration and Social Issues Committee, Internal Audit Committee and Risk Committee.</p>
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		<p>At that, creation of other committees of the Board of Directors may take place in accordance with the Republic of Kazakhstan's legislation.</p> <p>The main objectives of the Strategy Committee are:</p> <ol style="list-style-type: none"> 1) preparation and submission to the Board of Directors of the recommendations for decision-making on issues of priority areas of the KACC's activities, KACC's strategy; 2) interaction with the KACC's Management Board on issues of the subject of its activities and ongoing monitoring of the main (statutory) activities of KACC; 3) interaction with government bodies exercising monitoring and supervisory functions in relation to KACC. <p>The number of members in the Strategy Committee is at least five people.</p> <p>The main objectives of the Audit Committee are:</p> <ol style="list-style-type: none"> 1) preparation and submission to the Board of Directors of the recommendations for decision-making on issues of accounting, financial statements and audit; 2) interaction with the KACC's Management Board on issues of accounting, financial statements and audit; 3) interaction with the Internal Audit Service and ongoing monitoring of its activities; 4) interaction with audit organizations conducting audit of KACC. <p>The number of members in the Audit Committee is at least three people.</p> <p>The main objectives of the Personnel Committee are:</p> <ol style="list-style-type: none"> 1) preparation and submission to the Board of Directors of the recommendations for decision-making on issues of forming the KACC's Management Board, appointment and dismissal of members of the KACC's Management Board, the corporate secretary and other KACC employees within the scope of authority of the Board of Directors, determination of the amounts and conditions of remuneration and bonuses of the members of the KACC's Management Board, the corporate secretary and other KACC employees within the scope of authority of the Board of Directors, remuneration of members of the Board of Directors and its committees, as well as on social issues, issues of corporate governance and corporate conflicts, business conduct and business ethics; 2) interaction with the KACC's Management Board on issues of the KACC's
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		<p>personnel policy, the system of assessment and remuneration of labor of the KACC's employees;</p> <p>3) interaction with all or individual KACC employees regarding their requests concerning issues of social support for its employees that are not settled by the KACC's Management Board;</p> <p>4) interaction with various persons regarding their requests concerning conflicts of interest in the sphere of corporate governance in KACC, ignoring by the KACC's officials, employees, accountable to the Board of Directors, of its mission and corporate values, failure by the KACC's officials and employees, accountable to the Board of Directors, to comply with the corporate principles and rules of corporate conduct, violation by the KACC's officials and employees, accountable to the Board of Directors, of the principles of business conduct and business ethics.</p> <p>The number of members in the Personnel Committee is at least three people. The main objectives of the Risk Committee are:</p> <p>1) preparation and submission to the Board of Directors of the recommendations for decision-making on issues of internal control and risk management systems;</p> <p>2) interaction with the KACC's Management Board on issues of internal control and risk management systems;</p> <p>3) ensuring a continuous, coordinated risk management process based on timely identification, assessment, analysis, monitoring and control of risks to ensure achievement of the set goals;</p> <p>4) ensuring a risk-oriented approach to processes, decisions and planning of strategic objectives;</p> <p>5) development of the risk management and internal control system.</p>
<p><i>Criterion 4</i></p> <p>The board of directors must include qualified members who are knowledgeable and motivated to handle their many responsibilities. Typically, this involves inclusion of non-executive member(s) on the board</p>	<p>Observed</p>	<p>Shareholders ensure that the requirements for skills and motivation of the members of the Board of Directors are met by electing members with significant experience in the banking, financial and scientific fields, a high level of personal competence, and professional and personal reputation.</p> <p>The motivation system for members of the Board of Directors ensures a level of compensation commensurate with the market level (financial sector, activities of credit organizations). The motivation system also encourages members of the Board of Directors to take an active part in its meetings, as</p>

		<p>well as in meetings of committees of the Board of Directors. The annual remuneration of members of the KACC's Board of Directors is determined depending on the role they perform and their active participation in meetings of the KACC's Board of Directors and its committees. A well-thought-out remuneration policy motivates the members of the Board of Directors and ensures achievement of the long-term goals set out at the beginning of Principle 2.</p> <p>The procedure for electing and determining the independence of members of the KACC's Board of Directors is set out in the Regulations on the Board of Directors and the KACC's Corporate Governance Code.</p> <p>Independence of members of the Board of Directors is assessed based on the submitted data on compliance with the independence criteria set out in the above documents, based on the questionnaire data of members of the Board of Directors, their regular surveys and collection of additional information on legal entities which management bodies include the members of the Board of Directors and/or their relatives. Currently, 7 members have been elected to the Board of Directors, 3 of whom are independent directors.</p> <p>All members of the KACC's Board of Directors have an impeccable business reputation, possess sufficient experience and professional integrity necessary to manage the KACC's activities, including in risk management, and also meet the qualification requirements for members of the Board of Directors established by the Republic of Kazakhstan's legislation.</p> <p>Information about each member of the Board of Directors is posted on the KACC's website (https://kacc.kz)</p>
<p><i>Criterion 5</i></p> <p>The roles and duties of the management must be clearly defined. The FMI management should have the appropriate experience, combination of skills and integrity necessary to perform their duties in order to direct the activities and manage the risks of the FMI</p>	<p>Observed</p>	<p>The KACC's Management Board is a collegial executive body and carries out the day-to-day management of KACC's activities. The KACC's Management Board is accountable to the Board of Directors and the general meeting of shareholders (the sole shareholder).</p> <p>The main task of the Management Board is implementing the strategy and main directions of KACC activities established by the General Meeting of Shareholders and the Board of Directors, as well as implementing other decisions of the General Meeting of Shareholders and the Board of Directors. Key performance indicators of the Management Board members are established, revised and monitored by the Board of Directors.</p> <p>The competence of the KACC's Management Board includes all issues related to management of the KACC's current activities, with the exception of issues assigned to the competence of the General Meeting of</p>

		<p>Shareholders, the Board of Directors and the KACC's Management Board Chairperson. The KACC's executive body organizes implementation of decisions of the General Meeting of Shareholders (the sole shareholder) and the Board of Directors. The Management Board's competence is defined in the internal documents of KACC.</p> <p>The current KACC's Management Board has sufficient experience and skills (information is provided on the KACC's website) to manage and control the KACC's risks, and meets requirements for collegial executive bodies in terms of qualifications and business reputation established by current legislation.</p> <p>The rights and duties of the Management Board members are defined by the Republic of Kazakhstan's legislation, the KACC's Charter, the Regulations on the KACC's Management Board and the employment contract concluded with each member of the Management Board and KACC.</p> <p>The following operate under the Management Board:</p> <ul style="list-style-type: none"> ✓ The Market Risk Committee which task is to analyze, monitor, identify and manage risks associated with the situation in the financial markets, the KACC's activities, its counterparties that are clearing participants, issuers and investors, as well as to prepare recommendations to the KACC's Management Board; ✓ The Information Security Committee which task is to minimize the likelihood of information security incidents and possible damage from them, assess the information security risks, adjust the methods and means of ensuring information security, change the relevant business processes, maintain and improve the information security measures, prevent the risks of leakage of restricted information, and the safety of the KACC's tangible property according to concluded contracts. ✓ The Default Settlement Committee which task is to determine the conditions of transactions aimed at settling of defaults in the markets, transactions aimed at attracting of liquidity in case of a deficit in the KACC's correspondent accounts; ✓ The Investment Committee which tasks are managing the investment of KACC's assets and managing the KACC's liquidity in accordance with internal documents regulating the KACC's investment activities, settlement of defaults on transactions concluded with participation of the central counterparty and ensuring liquidity of financial instruments for the purposes of the central counterparty in accordance with the KACC's internal documents regulating the KACC's clearing and investment
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		<p>activities, analysis of financial instruments available in KACC's investment portfolios, monitoring and assessment of liquidity of financial instruments for the purposes of the central counterparty's activities in accordance with internal documents regulating the KACC's clearing activities, ensuring timely identification, assessment of risks, communication of information about them to the KACC's management and the risk management unit, and management of the KACC's risks within the established functions of the Treasury as part of existing procedures, processes, policies and other KACC's internal documents on risk management.</p> <ul style="list-style-type: none"> ✓ The Integrated Management System Committee which task is improving the effectiveness of implementation of the IMS Policy in accordance with requirements of international standards ISO 9001:2015 and ISO/IEC 27001:2022, as well as preparation of recommendations to the Exchange/KACC's Management Board on improving the IMS of the KASE Group. ✓ The Personnel Committee which task is improving the effectiveness of implementation of the personnel management policy of the Exchange and KACC, as well as preparation of recommendations to the Management Board of the Exchange and KACC on personnel motivation. ✓ The Product and Project Committee which task is to review and approve the design documentation of the Exchange/KACC, and to consider the issues aimed at creating new and developing existing products and services of the Exchange/KACC. <p>The tasks and functions of the specified committees are defined in the relevant internal documents of KACC.</p> <p>Compliance with the specified requirements is ensured during formation of the KACC's Management Board.</p> <p>Early termination of powers of the Chairperson and members of the KACC's Management Board falls within the competence of the Board of Directors</p>
<p><i>Criterion 6</i> The board of directors should develop a clear, documented risk management system that includes the FMI's policy on risk tolerance, allocation of duties and responsibility for</p>	<p>Observed</p>	<p>The KACC's risk management system includes:</p> <ul style="list-style-type: none"> ✓ internal documents approved by the relevant governing bodies of KACC; ✓ system of distributing the authority for risk management between the governing bodies and officials;

<p>implementing the risk-related decisions, and decision-making in crisis and emergency situations.</p> <p>Governance arrangements should ensure that risk management and internal control units have sufficient authority, independence, resources and access to the board of directors.</p>		<ul style="list-style-type: none"> ✓ internal procedures that ensure continuous identification, assessment and control of accepted risks, as well as informing the stakeholders about KACC's risks. <p>The KACC's Board of Directors has approved the Risk Management and Internal Control Policy governing functioning of the Risk Management Department responsible for:</p> <ul style="list-style-type: none"> ✓ implementation of risk management policy in accordance with the legislation and regulations of the Republic of Kazakhstan; ✓ identification, assessment, control and monitoring of KACC's risks; ✓ providing methodological and consulting assistance to KACC's structural units on risk management issues; ✓ development and support of an integrated risk management system; ✓ development and support of an integrated business continuity management system of KACC. <p>The Risk Management Department is an independent structural unit reporting directly to the KACC's Management Board Chairperson.</p> <p>The powers of the governing bodies to make decisions on risk management are defined by the Charter and internal documents of KACC:</p> <ul style="list-style-type: none"> ✓ the Board of Directors is responsible for establishing general risk management principles and overseeing their implementation, and also approves the Clearing Rules, criteria for placement of temporarily available funds, as well as the policy for ensuring business continuity and planning for restoration of financial stability; ✓ the Board of Directors approves documents defining the basic principles of risk management and oversees organization of the KACC's risk management system, including assessment of effectiveness of the risk management system. For this purpose, the Board of Directors receives regular reports containing analysis of the relevant risks; ✓ the Management Board is responsible for approving the internal documents adopted for development of general risk management principles, approves static risk parameters, limits on placement of temporarily available funds, as well as action plans for emergency situations, the procedure for informing the ARDFM about emergency situations and other internal documents regulating the detailed processes of interaction between units in emergency situations, including work of the backup office;
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		<ul style="list-style-type: none"> ✓ The Management Board Chairperson makes operating decisions on risk management. <p>In internal documents, the issue of risk tolerance is considered when determining the principles for forming an investment portfolio, including selection of counterparties and instruments when placing temporarily free funds of KACC, determining the approaches to assessing the reliability of counterparties and clearing participants (for example, through an internal rating system).</p> <p>KACC, being a qualified central counterparty, strictly adheres to requirements established by control and supervisory bodies for activities of non-bank credit organizations and/or clearing organizations that are central counterparties in terms of limiting the risks assumed in implementation of clearing activities and conducting of banking operations.</p> <p>The Compliance Service is an independent structural unit of KACC, accountable and subordinated to the KACC's Board of Directors.</p> <p>The head and staff of the Compliance Service are appointed and dismissed by decisions of the KACC's Board of Directors.</p> <p>The Compliance Service operates based on principles of independence, functional separation of powers and prevention of conflicts of interest. The Compliance Service employees are not entitled to hold part-time positions in other structural units of KACC or to perform functions that may lead to a conflict of interest between their duties of compliance risk management and other duties assigned to them.</p> <p>The main objective of compliance control is to ensure proper and effective management of compliance risks in the KACC's activities, aimed at protecting its legitimate interests, financial stability and business reputation.</p> <p>The Compliance Service's functions include but not limited to:</p> <ul style="list-style-type: none"> ✓ based on instructions from the KACC's Board of Directors/Committees of the KACC Board of Directors, performing periodic checks of KACC's compliance with requirements of the Republic of Kazakhstan's legislation, as well as requirements of the legislations of foreign states that affect the KACC's activities, KACC's internal documents for the purposes of identifying, assessing and monitoring of compliance risks; ✓ development and maintenance of a compliance risk reporting system and periodic provision of information on compliance risk management
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		<p>issues to KACC's authorized bodies, including recommendations for eliminating the identified violations and deficiencies in the KACC's operations, related to compliance risk management and anti-corruption;</p> <ul style="list-style-type: none"> ✓ development and updating of internal documents on anti-corruption; ✓ submission for consideration to the KACC's Board of Directors of proposals for improving the methods and procedures for identifying, measuring, monitoring and controlling of compliance risks, as well as development of recommendations aimed at increasing the effectiveness of the compliance risk management system. <p>The Internal Audit Service is an independent structural unit of KACC, included in the system of internal control bodies.</p> <p>Independence of the Internal Audit Service is ensured by compliance with the following requirements:</p> <ul style="list-style-type: none"> ✓ the Internal Audit Service is organizationally subordinate and functionally accountable to the Board of Directors, and its creation, reorganization and liquidation is carried out based on decision of the Board of Directors; ✓ the Internal Audit Service does not carry out activities subject to audit; ✓ the Internal Audit Service, on its own initiative, reports to the Board of Directors on issues arising in the course of performing its functions and proposals for their resolution, and also discloses this information to the Management Board Chairperson and the Management Board; ✓ The Internal Audit Service's activities are subject to independent assessment by an external auditor at least once every five years. <p>Appointment to the position (dismissal from the position) of the Head and employees of the Internal Audit Service is carried out based on decision of the Board of Directors.</p> <p>The Internal Audit Service's responsibilities include:</p> <ul style="list-style-type: none"> ✓ implementation of internal audit in accordance with requirements of the Republic of Kazakhstan's legislation, regulatory acts of NBRK, international framework for professional practice of internal auditing of the Institute of Internal Auditors, internal documents of KACC on
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		<p>functioning of the internal control system and implementation of internal audit;</p> <ul style="list-style-type: none"> ✓ auditing all areas of KACC's activities. The object of audits may be any structural unit and/or business process of KACC; ✓ verification and assessment of adequacy and effectiveness of the internal control, risk management and corporate governance systems; ✓ monitoring the effectiveness of measures taken by the units, heads of business areas and management bodies based on results of audits that ensure reduction of the level of identified risks, or documenting the decision taken by the head of a unit/business area and/or management bodies on the acceptability of the identified risks for KACC. <p>The Internal Audit Service's reports on performance of audit assignments are submitted for consideration to the Board of Directors (Audit Committee) and the Management Board of KACC. Periodic reports on the Internal Audit Service's activities are submitted to the Board of Directors (Audit Committee) for consideration and approval</p>
<p><i>Criterion 7</i></p> <p>The board of directors should ensure that the FMI's structure, rules, overall strategy and major decisions adequately reflect the legitimate interests of its direct and indirect participants as well as other stakeholders. Information on major decisions must be clearly communicated to the stakeholders and, in cases of large-scale market impact, to the public</p>	Observed	<p>Identification and consideration of interests of stakeholders and clearing participants is carried out in the following ways:</p> <ol style="list-style-type: none"> 1) directly through members of the Board of Directors and its committees, who are members of the governing bodies of companies that are participants of the financial market and clients of KACC; 2) public events (forums, seminars, consultations, quarterly meetings with clearing participants). <p>In addition, KACC openly publishes internal documents regulating operation of KACC. Information about changes in internal documents is also published in the news section of the KACC's website</p>
<p>3. Comprehensive risk management system</p> <p><i>FMI should have a robust risk management system to comprehensively manage the legal, credit, liquidity, operational and other risks.</i></p> <p>Complies</p>		
<p><i>Criterion 1</i></p> <p>FMI should have risk management policy, procedures and systems that allow to identify,</p>	Observed	<p>KACC's activities are subject to the following main risks outlined in the Risk Management Policy (taking into account the requirements of regulatory legal acts):</p>

<p>quantify, monitor and manage all risks created and faced by FMI. The risk management system should be subject to periodic review.</p>		<ul style="list-style-type: none"> 1) operating risks; 1) legal risks; 3) reputational risks; 4) compliance risks; 5) market risks; 6) liquidity risks; 7) credit risks; 8) systemic risks; 9) information security risks; 10) sustainability risks (ESG risks) <p>The processes of risk identification, assessment and management are defined by the Risk Management Rules drawn up taking into account the requirements of the Risk Management and Internal Control Policy.</p> <p>Identification and assessment of KACC's risks is carried out through an annual survey of units and compilation of a risk register approved by the KACC's Board of Directors.</p> <p>In case of identification of new risks, changes in probability of occurrence and/or impact (damage) from realization of a risk in the course of activities in the interval between the processes of the annual scheduled survey and approval of the risk register, the process of extraordinary compilation and approval of the risk register is initiated.</p> <p>Significant risks evaluated by KACC as "high" and "critical" are monitored/mitigated through monitoring of key risk indicators developed by KACC for significant risks based on results of their identification.</p> <p>Risk management includes:</p> <ul style="list-style-type: none"> 1) taking the measures to maintain the risk at a level not threatening the stability of KACC; 2) introduction of control procedures; 3) optimization of existing procedures and/or control procedures; 4) automation of processes. <p>Management of risks associated with placement of own funds and CP collateral is regulated by the KACC's Asset Investment Policy and Asset Investment Rules.</p>
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<p><i>Criterion 2</i> FMI should create incentives for its participants, and their clients where necessary, to manage and mitigate the risks they create for the FMI</p>	<p>Observed</p>	<p>In order to reduce its own risks, the CCP establishes requirements for financial condition of clearing participants, based on which the clearing participants are assigned categories that determine the method of securing the obligations to execute transactions in a specific exchange market (exchange market trading modes). The CCP collects from each clearing participant a collateral which amount is reassessed daily taking into account the estimated value of the financial instrument minus coverage for decrease in liquidity and increase in price volatility for such financial instrument.</p> <p>The list of financial instruments accepted as collateral for transactions with CCP, concluded in modes with partial collateral, includes besides money the most liquid and reliable securities, and this list is updated taking into account the changes in market conditions of financial markets as well as availability of other information indicating an increase in the risk of insolvency of an issuer and/or a decrease in liquidity of the financial instrument.</p> <p>In order to manage the market risks under normal market conditions (conditions under which a two-day change in prices of financial instruments does not exceed the initial margin rate for the specified financial instruments), the CCP uses:</p> <ul style="list-style-type: none"> ✓ system for determining the risk parameters of financial instruments; ✓ limits on opening the positions of clearing participants on certain exchange markets; ✓ automatic control of sufficiency of collateral of the clearing participants (including preliminary check of applications submitted by clearing participants for sufficiency of collateral); ✓ individual rates and limits for clearing participants on certain exchange markets. <p>Management of market risks, liquidity risks and systemic risks in conditions of increased volatility in prices of financial instruments (conditions in which a two-day change in prices of financial instruments exceeds the initial margin rates for these financial instruments) is carried out by the CCP through:</p>

		<ul style="list-style-type: none"> ✓ formation of clearing reserve and guarantee funds; ✓ control of sufficiency of the guarantee contributions of clearing participants. <p>Trading and clearing systems reveal information on requirements/obligations of clearing participants as well as on requirements for securing the concluded transactions. In addition, KACC discloses all necessary information on risk management on its website. In this way, clearing participants can manage the risks arising from cooperation with KACC.</p> <p>KACC sets requirements for securing of clearing participants' positions, timely informs clearing participants of emerging margin requirements, and sets penalty rates for transfer of obligations in case of their untimely fulfilment by clearing participants. KACC also discloses in advance the information about changes in risk parameters that affect the level of collateral for the clearing participants' positions.</p> <p>In case of deterioration of a clearing participant's financial position or an excess of risk concentration levels, the requirements for the clearing participant's collateral may be increased, including assigning of the category "with full coverage".</p> <p>KACC interacts with clearing participants through meetings and the media. KACC provides to clearing participants the regular reports and information.</p> <p>KACC makes publicly available the description and general provisions of its documents on clearing activities.</p> <p>As an incentive for risk management and risk mitigation, KACC will recognize a clearing participant as being unscrupulous or insolvent for failure to fulfil or improper fulfilment of obligations and will charge penalties:</p> <ol style="list-style-type: none"> 1) of 15 monthly calculation indices in effect on the date of such application upon the first application of the procedure within three calendar months; 2) of 30 or 50 monthly calculation indices in effect on the date of such application upon the repeated application of the procedure within three calendar months calculated from the date of previous application (for each such application)
<p><i>Criterion 3</i> FMI should regularly review the material risks it faces and creates for other organizations (e.g., for other FMIs, settlement banks, liquidity providers or service providers) due</p>	<p>Mostly observed</p>	<p>KACC has developed a system for identifying and assessing risks in accordance with the Risk Management Policy and Rules. The system's purpose and result of the procedures carried within this system is the compilation of a risk register based on a list of actually occurred or potentially possible events that have led or may lead to losses for KACC.</p>

<p>to interconnectedness and should create appropriate risk management mechanisms</p>		<p>Significant risks evaluated by KACC as "high" and "critical" are monitored/mitigated through monitoring of key risk indicators developed by KACC for significant risks based on results of their identification. The mechanism for reducing the identified significant risks also includes development of risk reduction measures.</p> <p>As part of the procedure for identifying the significant risks, KACC also takes into account the risks that may arise in its activities as part of interactions with other infrastructure organizations:</p> <ul style="list-style-type: none"> ✓ CD; ✓ National Payment Corporation JSC (hereinafter, NPC); ✓ correspondent banks; ✓ liquidity providers. <p>The processes of risk identification, assessment and management are defined by the Risk Management Rules drawn up taking into account the requirements of the Risk Management Policy.</p> <p>Identification and assessment of KACC's risks is carried out through an annual survey of units and compilation of a risk register approved by the KACC's Board of Directors.</p> <p>In case of identification of new risks, changes in probability of occurrence and/or impact (damage) from realization of a risk in the course of activities in the interval between the processes of the annual scheduled survey and approval of the risk register, the process of extraordinary compilation and approval of the risk register is initiated.</p> <p>Significant risks evaluated by KACC as "high" and "critical" are monitored/mitigated through monitoring of key risk indicators developed by KACC for significant risks based on results of their identification.</p> <p>Risk management includes:</p> <ol style="list-style-type: none"> 1) taking the measures to maintain the risk at a level not threatening the stability of KACC; 2) introduction of control procedures; 3) optimization of existing procedures and/or control procedures; 4) automation of processes. <p>Credit, market, systemic and liquidity risks which occurrence could impact other organizations are assessed in the KACC's risk register at an</p>
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		<p>acceptable level, as these are the risks targeted by the risk management system to ensure financial stability of KACC as a central counterparty:</p> <p>monitoring the financial status of counterparties, setting the limits on placement of funds for counterparties, as well as limits on types of transactions, establishing the risk parameters for financial instruments, having a default management system, diversifying the funds in correspondent accounts, etc.</p> <p>In order to cover the losses, KACC forms reserves according to the accounting policy in accordance with IFRS.</p> <p>KACC conducts periodic monitoring of open sources, searching for information on changes in international ratings and general negative information about KACC's counterparties.</p> <p>KACC's asset investment policy includes limits on investment in instruments and limits on issuers/counterparties. The KACC's Investment Committee reviews counterparty default probability levels on a monthly basis, and the relevant information is also reviewed by the KACC's Board of Directors.</p>
<p><i>Criterion 4</i></p> <p>FMI should identify scenarios that could potentially impede performance by FMI of its critical operations and services on an ongoing basis and evaluate the effectiveness of its full range of options for recovery or orderly shutdown planning. FMI should prepare plans for resumption of operations or orderly liquidation based on the evaluation results. Where necessary, FMI should also provide to the relevant competent authorities the information necessary for planning the decisions</p>	<p>Observed</p>	<p>KACC develops scenarios that potentially could complicate performance by KACC of its critical operations and services on an ongoing basis, as part of:</p> <ol style="list-style-type: none"> 1) stress testing of market, systemic, credit and liquidity risks of KACC in order to predict the probability and consequences of default of clearing participants, as well as to assess the sufficiency of current liquidity to cover KACC's obligations; 2) stress testing of operating risks of clearing systems carried out for KACC in order to timely identify the risk of failure/disruption of systems in the process of providing the services to clearing participants and to develop appropriate measures to reduce/eliminate the risk. <p>To ensure an adequate level of preparedness for quick response to a possible scenario of suspension of normal operating procedures, KACC has approved:</p> <ul style="list-style-type: none"> ✓ Business continuity management policy; ✓ Business continuity and recovery rules (hereinafter, the Rules); ✓ Business continuity and recovery plan (joint with the Exchange) (hereinafter, the Plan); ✓ Business recovery plan.

		<p>Decision on KACC operation switching to crisis mode and the Plan activation is taken in case of a threat of occurrence or occurrence of a situation resulting in disruption or termination of the process of performing the critical activities and the impossibility of their restoration in conditions of the ordinary functioning mode within the target time of the activities restoration.</p> <p>KACC's Business Continuity Policy, Rules and Plan are periodically reviewed and updated, including taking into account the external factors (appearance of new types of emergency situations), as well as based on results of conducted tests, improvements to the fault-tolerance system and/or IT infrastructure in conjunction with the Exchange.</p> <p>The Rules include a system of information exchange between KACC and other FMIs in case of a non-standard situation and subsequent restoration of activities.</p> <p>The plan sets out the key functions of the business continuity restoration team and the KASE Group employees who carry out activities assigned to "red" and "yellow" zones in case of disruption of normal activities. The Plan's objectives are to ensure the KASE Group's ability to fulfill undertaken obligations to clients, to reduce the material and non-material consequences in cases of disruption in the normal course of business, and to minimize possible negative consequences for the image and reputation of the KASE Group.</p> <p>The Business Recovery Plan sets out the measures to be taken in crisis situations, both related and unrelated to a default of clearing participants, with the aim of restoring the KACC's financial stability without state support and continuing to carry out critical activities after a significant deterioration in the financial state.</p> <p>The Business Recovery Plan's objectives are:</p> <ul style="list-style-type: none"> ✓ comprehensive and effective handling of all risks identified in various scenarios; ✓ early detection of the threat of a liquidity crisis; ✓ respecting the interests of stakeholders; ✓ minimizing the negative consequences, regardless of scale of undesirable events, minimizing the time spent on resolving a crisis situation and the resources spent on restoring the KACC's operating capacity.
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		<p>In general, in order to ensure continuity of KACC providing critical services in all situations, a common structure of the CCP protection levels, described in the Clearing Rules, and a business continuity management system, which functioning is regulated by KACC's internal documents, were created</p>
<p>4. Credit risk</p> <p><i>FMI should effectively measure, monitor and manage its credit risks created by the participants, as well as its payment, clearing and settlement processes. FMI should maintain sufficient financial resources to fully cover the credit risk created by each of the participants, in full and with a high degree of confidence. In addition, a CCP that operates with a more complex risk profile or is systemically important in multiple jurisdictions should have additional financial resources sufficient to cover a wide range of potential stress scenarios including but not limited to default of two largest participants and affiliates that could potentially cause the CCP's greatest aggregate credit risk under extreme but plausible market conditions.</i></p> <p><i>All other CCPs must maintain total financial resources at least sufficient to cover a default of one of the participants or its affiliates that could potentially cause the CCP's greatest aggregate credit risk under extreme but plausible market conditions.</i></p> <p>Complies</p> <p>Criterion 3 of the Principle is not applicable</p>		
<p><i>Criterion 1</i></p> <p>FMI should establish a robust framework for managing the credit risks created by its participants and credit risks arising from its payment, clearing and settlement processes. Credit risk can arise from current risks, potential future risks or both risks simultaneously</p>	<p>Observed</p>	<p>In accordance with the Clearing Rules, KACC takes the following measures to reduce the credit risk associated with implementation of clearing and CCP activities:</p> <ul style="list-style-type: none"> ✓ imposes requirements for financial state of a clearing participant; ✓ imposes requirements for clearing participants to provide collateral; ✓ carries out preliminary control of sufficiency of a clearing participant's collateral during submission of orders; ✓ carries out a daily revaluation of collateral and positions of clearing participants and controls the sufficiency of collateral of clearing participants; in case of insufficiency, KACC makes a demand to clearing participants to provide collateral (margin call); ✓ forms guarantee funds; ✓ at least daily revaluates the securities and foreign currency accounted as contributions to guarantee funds; ✓ imposes requirements for provision of collateral depending on the internal ratings of clearing participants; ✓ limits its liability. <p>In addition, KACC regularly carries out:</p> <ul style="list-style-type: none"> ✓ monitoring of compliance with requirements for financial state of clearing participants;

		<ul style="list-style-type: none"> ✓ assessment of financial state of all counterparties; ✓ setting of limits on placement of funds for counterparties, as well as trading limits; ✓ monitoring of internal and external events and factors that may have a significant negative impact on the ability of counterparties to fulfill their obligations to the Exchange. <p>KACC periodically reviews the credit risk management mechanisms and risk profiles as they change due to:</p> <ul style="list-style-type: none"> ✓ changes in the market situation; ✓ changes in regulation; ✓ introduction of new products and implementation of projects. <p>monitoring of a KACC member's financial status includes:</p> <ol style="list-style-type: none"> 1) checking the compliance of a KACC member with prudential standards and/or other essentially similar standards or indicators according to requirements of the applicable legislation; 2) monitoring the compliance of a KACC member with requirements for the minimum amounts of authorized and equity capital, established by the Republic of Kazakhstan's legislation and the Regulations on clearing participants for KACC members that are legal entities of the Republic of Kazakhstan as well as foreign KACC members; 3) assessment of financial state of a KACC member in accordance with KACC's internal documents. <p>Checks of a KACC member compliance with legal requirements and KACC's internal documents include:</p> <ol style="list-style-type: none"> 1) verification of completeness and timeliness of disclosure by a KACC member; 2) monitoring the financial status of a KACC member; 3) verification of a KACC member's compliance with requirements for its risk management system; 4) verification of a KACC member's compliance with requirements of the Republic of Kazakhstan's legislation and KACC's internal documents when participating in trading conducted by the Exchange, implementing pre-trade and post-trade procedures and other actions related to participation in trading conducted by the Exchange and membership on the Exchange,
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		<p>which is carried out by KACC's structural units within the scope of their competence and in accordance with KACC's internal documents.</p> <p>KACC's asset investment policy includes limits on investment in instruments and limits on issuers/counterparties for the purposes of reducing the credit and systemic risks.</p> <p>The business continuity management policy includes testing of business continuity procedures to verify the continuity of clearing and settlement processes.</p> <p>The risk management policy includes as the measures to manage the operating risks, namely:</p> <p>the risk of insufficiently effective process design or weak control over compliance with internal rules: regulation in internal documents of the procedure for carrying out the activities, agreeing of KACC's internal documents and project risk assessment results with the risk management unit;</p> <p>the risk of deficiencies or errors in internal documents regulating the KACC's activities, and non-compliance of internal documents with legal requirements: regulation in KACC's internal documents of the procedure for carrying out the activities, agreeing of draft internal documents with the legal and compliance units and the risk management unit of KACC.</p>
<p><i>Criterion 2</i></p> <p>FMI should identify sources of credit risk, regularly quantify and monitor the credit risks, and use appropriate risk management tools to control such risks.</p>	<p>Observed</p>	<p>Sources of credit risk for KACC are identified based on procedures established by internal documents of KACC.</p> <p>The main sources of credit risk for CCP are:</p> <ul style="list-style-type: none"> ✓ clearing participants and their ability to meet their obligations; ✓ counterparties and issuers when KACC is placing temporarily free cash (investing); ✓ settlement organizations; ✓ KACC's suppliers of goods/services. <p>KACC uses the following mechanisms to control the credit risks of clearing participants:</p> <ul style="list-style-type: none"> ✓ application of the "delivery versus payment" principle or advance delivery by clearing participants, guaranteeing the transfer of securities only after payment has been made; ✓ preliminary control of sufficiency of collateral before execution of transactions by clearing participants (pre-order validation);

		<ul style="list-style-type: none"> ✓ setting the limits (risk parameters) on financial instruments; ✓ changing the requirements for transaction collateral; ✓ regular stress and back testing; ✓ formation of clearing reserve funds for all markets. <p>Effectiveness of used mechanisms is measured against actual incurred losses as well as through numerous back and stress tests.</p> <p>Credit risk of counterparties and issuers when placing temporarily free cash (investing), as well as settlement organizations of the CC is regulated by limits established by the Asset Investment Policy.</p> <p>The settlement organization for securities for KACC is Central Securities Depository JSC (hereinafter, CD), which is a subsidiary of the NBRK. The rating is equated to the sovereign rating of the Republic of Kazakhstan. The KACC's Asset Investment Policy includes limits on the CD as a reliable counterparty.</p> <p>Settlement organizations for money may be second-tier banks, foreign banks and international financial organizations. For each of the settlement organizations, the Asset Investment Policy includes limits depending on a settlement organization's rating</p>
<p><i>Criterion 3</i></p> <p>A payment system or SSS should cover its current and, if any, potential future risks created by each of the participants fully and with a high degree of certainty by means of collateral and other similar financial resources (see Principle 5 on collateral). For payment systems with deferred net settlement or SSSs with deferred net settlement where there is no guarantee of settlement but the participants are exposed to credit risks created by their payment, clearing and settlement processes, a FMI should maintain at least sufficient resources to cover the risks of two participants and their affiliates that could give rise to the largest aggregate credit risk in the system</p>	<p>Not applicable</p>	<p>Not applicable to KACC.</p> <p>KACC does not perform functions of a payment system or SSS</p>

<p><i>Criterion 4</i></p> <p>CCP must cover its current and potential future risks created by each of the participants in full and with a high degree of certainty, using guarantee deposits and other prepaid financial resources (see Principle 5 on collateral and Principle 6 on margin/deposit). In addition, a CCP that operates with a more complex risk profile or is systemically important in multiple jurisdictions should maintain financial resources sufficient to cover a wide range of potential stress scenarios including but not limited to default of two largest participants and their affiliates that could potentially cause the CCP's greatest aggregate credit risk under extreme but plausible market conditions.</p> <p>All other CCPs must maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include but not be limited to default of a single participant and its affiliates that could potentially result in the CCP's greatest aggregate credit risk under extreme but plausible market conditions.</p> <p>In all cases, the CCPs must document the justification for the amount of total financial resources maintained by them and have appropriate mechanisms for managing them.</p>	<p>Observed</p>	<p>As a collateral for fulfillment of obligations by a clearing participant with partial collateral for transactions concluded on conditions of partial collateral, the KACC establishes:</p> <ul style="list-style-type: none"> ✓ requirements for partial collateral of net obligations on transactions recorded on clearing accounts and submitted orders of such clearing participants and calculated taking into account the specifics established for certain exchange markets by the Clearing Rules; ✓ requirements for making a guarantee contribution on the relevant exchange market. <p>As a collateral for fulfillment of obligations by a clearing participant with partial collateral on transactions concluded on full coverage conditions, the KACC sets requirements for full coverage of net obligations in those financial instruments in which they arise in case of conclusion of such transactions.</p> <p>As a collateral for fulfillment of obligations of clearing participants with full coverage, the KACC establishes requirements for full coverage of net obligations for all clearing accounts of such a clearing participant.</p> <p>A clearing participant without collateral does not provide the collateral or pay the guarantee contributions.</p> <p>A clearing participant with partial collateral must form the collateral for concluded but unsettled transactions with CCP, as well as for submitted orders for transactions with CCP on the partial collateral conditions:</p> <ol style="list-style-type: none"> 1) on the stock market in an amount at which the value of the single limit, calculated according to the stock market specifics, for the trading and clearing account from which the transactions with partial collateral are concluded, is not negative; 2) on the currency market in an amount at which the value of the single limit, calculated according to the currency market specifics, for the trading and clearing account from which the transactions with partial collateral are concluded, is not negative; 3) on the derivatives market in the amount of the initial margin calculated according to specifics of the derivatives market. <p>The list of financial instruments accepted as collateral for transactions with partial collateral on a particular exchange market is determined by the Collateral List T+ established in accordance with the Procedure for including the financial instruments into the List T+ and the Collateral List T+.</p>
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<p><i>Criterion 5</i></p> <p>CCP should regularly determine the amount and check the sufficiency of its aggregate financial resources available in case of default by one or more participants under extreme but plausible market conditions through stress testing. CCP should have clear procedures for reporting the stress testing results to the relevant decision-making bodies of the CCP and use the results to assess adequacy and change the amount of its aggregate financial resources.</p> <p>Stress testing should be performed daily using standard and pre-established parameters and assumptions.</p> <p>At least once a month, CCP must conduct a comprehensive and thorough analysis of used scenarios, models and basic parameters, stress testing assumptions to ensure their adequacy in determining the required level of CCP protection from default, taking into account current and developing market conditions.</p>	<p>Mostly observed</p>	<p>KACC monitors compliance of financial instruments with requirements for inclusion in the collateral lists on a quarterly basis, no later than the last working day of the second month of the quarter.</p> <p>Based on the monitoring results, the market risk unit prepares a conclusion on compliance of financial instruments with the requirements (hereinafter, the Conclusion) and submits it for consideration by the authorized bodies of KACC.</p> <p>The sufficiency of KACC's financial resources to cover the losses from occurrence of significant risks arising in KACC's activities in case of the occurrence of exceptional but plausible events (stress testing of financial resources) includes:</p> <ul style="list-style-type: none"> ✓ sufficiency of KACC's aggregate financial resources to cover aggregate losses; ✓ sufficiency of guarantee funds. <p>The sufficiency of aggregate financial resources is determined by the value of the aggregate loss coverage ratio that is the ratio of difference between the volume of KACC's aggregate financial resources and aggregate losses to the volume of aggregate financial resources.</p> <p>The KACC's aggregate financial resources are represented by the sum of capital and clearing funds (guarantee and reserve).</p> <p>The aggregate losses from implementation of scenarios for stress testing of significant risks arising in the KACC's activities may include:</p>

<p>CCP should conduct such stress testing analyses more frequently when clearing products or serviced markets exhibit high volatility, become less liquid or when the size or concentration of CCP participants' positions significantly increases.</p> <p>A full check of the CCP risk management model must be carried out at least once a year.</p>		<ul style="list-style-type: none"> ✓ losses from closing the positions of unscrupulous clearing participants (CCP's credit risk); ✓ losses from default by KACC counterparties/bond issuers (credit risk of KACC's investment activities); ✓ losses from revaluation of KACC's assets and liabilities upon unfavorable change in market indicators (market risk). <p>Based on the stress testing results, the KACC's governing bodies may, depending on their competence defined by the Charter and other KACC's documents, decide to implement the measures aimed at reducing KACC's risks:</p> <ul style="list-style-type: none"> ✓ changing the amount of individual clearing collateral; ✓ method of determining the risk factors for the purposes of determining the amount of collateral; ✓ changing the amount of contributions to guarantee funds/revising the approaches to determining the amount of contributions to the guarantee fund; ✓ increasing the KACC's equity (capital); ✓ changing the risk parameters of financial instruments; ✓ other measures aimed at reducing the KACC's risks. <p>Stress testing scenarios are analyzed on an ongoing basis. The KACC's Management Board periodically reviews the effectiveness and suitability of stress testing parameters and assumptions to current economic conditions.</p> <p>On a daily basis, KACC calculates the risk parameters of financial instruments to ensure that the calculated values correspond to the values established by the KACC's authorized bodies. If necessary, the established risk parameters for financial instruments are revised and submitted for approval by the KACC's collegial body under the Management Board.</p> <p>To enhance resilience to extreme but plausible market conditions, KACC applies a stress collateral mechanism as an additional protection layer to the standard collateral requirements. Stress collateral is formed in cases where the stress testing results show that potential losses under unfavorable scenarios of changes in key risk factors (exchange rates, yield curves, prices, volatility, liquidity) exceed the coverage provided by standard calculated parameters and a participant's current collateral.</p>
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<p><i>Criterion 6</i></p> <p>When conducting stress testing, CCP must consider the consequences of a wide range of relevant stress scenarios both from perspective of the defaulting participants and from perspective of possible price changes during liquidation periods. The scenarios should consider peak values of historical price volatility, changes in other market factors such as price determinants and yield curves, multiple default events in different time periods, simultaneous pressure in financial and asset markets, and a range of forward-looking stress scenarios under a variety of extreme but plausible market conditions</p>	<p>Observed</p>	<p>To form a set of plausible forecast stress testing scenarios, the CCP takes into account the extreme historical changes in risk factors and then applies expert judgment to adjust them considering the current economic situation (if necessary).</p> <p>The CCP's stress testing scenarios include:</p> <ul style="list-style-type: none"> ✓ extreme changes in main risk factors (exchange rates, stock indices, yield curves, price volatility), which are determined according to the rules described above; ✓ defaults of clearing participants/bond issuers/counterparties (including default of two largest participants and default of two largest counterparties/bond issuers of the KACC's investment portfolio); ✓ liquidity compression resulting from outflow of initial margin placed in the form of cash (for liquidity stress testing); analysis of sensitivity to individual risk factors. <p>The specified stress scenarios are used not only to assess the sufficiency of aggregate financial resources, but also to determine the need for stress collateral that serves as an additional buffer in case of unfavorable price</p>

		<p>movements during liquidation of positions and temporary deterioration of market liquidity.</p> <p>The KACC's Clearing Rules provide a structure of financial resources that enables coverage of losses resulting from default of any clearing participant.</p> <p>If these financial resources prove insufficient to cover losses resulting from a participant's default, the Clearing Rules allow the loss and positions of an unscrupulous participant to be distributed among bona fide participants whose positions are opposite to the unscrupulous participant's.</p> <p>To satisfy the claims of bona fide clearing participants, KACC carries out actions in the following sequence:</p> <ul style="list-style-type: none"> ✓ uses available cash/securities; ✓ in case of insufficient available cash/securities, enters into swap transactions to borrow the missing assets; ✓ in case of shortage of securities/cash, enters into repo transactions. <p>The procedures provided in the clearing rules, including the procedure for forced closure of positions, ensure fulfillment of obligations to liquidity providers (bona fide clearing participants).</p> <p>The clearing rules of all markets provide for reimbursement of guarantee fund resources in case of use of the contributions after a clearing participant receives notice from KACC.</p> <p>In addition, to ensure business continuity and restoration, the CCP's actions are established in case of the capital decrease to a level that threatens continuity of service provision (approaching the minimum values of the KACC's equity (capital) sufficiency ratios) (the Plan in the process of approval)</p>
<p><i>Criterion 7</i></p> <p>FMI should establish clear rules and procedures for full coverage of credit losses it incurs as a result of individual or aggregate default by its participants on their obligations to the FMI. These rules and procedures should govern the allocation of potential uncovered credit losses, including return of funds borrowed by the FMI from liquidity providers. These rules and procedures should</p>	<p>Observed</p>	<p>As part of Rules for Clearing Activities, the KACC, by assuming the CCP functions, guarantees fulfilment of net obligations to each bona fide clearing participant taking into account the limitation of its liability to the amount of clearing funds of the exchange market on which a default has occurred, which are part of the collateral pool to cover default. An insolvent clearing participant, for fulfilment of which obligations the resources of clearing funds were used, must reimburse them in full on conditions and in the manner established by the Clearing Rules.</p> <p>In order to cover the unfulfilled obligations of a defaulting clearing participant, formed after conclusion of transactions during implementation of forced liquidation, as well as to fulfil the KACC's obligations on transactions with the</p>

<p>also define the process for the FMI to replenish the financial resources it deploys in case of a stress event so that the FMI can continue to function safely and securely.</p>		<p>CCP to bona fide clearing participants (including liquidity providers) on a certain exchange market, the following collateral types are used: financial instruments, guarantee contribution of defaulting clearing participant, clearing reserve fund of the exchange market in which the default occurred and other collateral.</p> <p>The Clearing Rules also establish the procedure for restoring the clearing funds, collecting the unfulfilled obligations of a defaulting participant, and the division (allocation) procedures for the purpose of partial fulfilment of claims. In order to monitor an open position of clearing participants, stress collateral and individual contributions to clearing guarantee funds have been introduced. They depend on potential losses of each clearing participant, calculated using stress rates defined as the worst-case historical scenarios over the past 10 years.</p> <p>In order to determine the measures that need to be taken in crisis situations, both related and not related to default of clearing participants, the KACC has developed and approved a Business Recovery Plan (hereinafter, the Recovery Plan).</p> <p>According to the Recovery Plan, early response indicators are used for early warning of a risk occurrence and to take preventive measures to reduce/eliminate the KACC's risk. To assess the KACC's liquidity/financial status, the following quantitative and qualitative assessments of values of early response indicators are adopted:</p> <ul style="list-style-type: none"> ✓ Green zone (stable level) ✓ Yellow zone (alarming level - threshold value) ✓ Red zone (critical level) <p>The KACC's Management Board, based on analysis of whether the early response indicators have reached the alarming (threshold) or critical level, may make one of the following decisions:</p> <ul style="list-style-type: none"> ✓ take no action; ✓ on approval of the Action Plan for a crisis situation based on early response indicators, containing measures provided in the Recovery Plan; ✓ on inclusion into the Crisis Action Plan of measures not specified in the Recovery Plan.
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<p>5. Margin collateral <i>FMI that requires collateral to manage its credit risk or the credit risk of its participants should accept collateral with low credit, liquidity and market risk. In addition, FMI should establish and enforce sufficiently conservative minimum rates and concentration limits.</i> Complies</p>		
<p><i>Criterion 1</i> Generally, FMI should limit the types of assets it (generally) accept as collateral to assets with low credit, liquidity and market risks.</p>	<p>Observed</p>	<p>Financial instruments accepted as collateral for transactions with a central counterparty on conditions of partial collateral are:</p> <ul style="list-style-type: none"> ✓ in the currency market - currencies included in the Collateral List T+; ✓ in the stock market - securities and currencies included in the Collateral List T+; ✓ in the derivatives market - national currency and US dollars. <p>To include a financial instrument into the Collateral List T+ and to stay in the said list, such financial instrument must meet the following criteria:</p> <ol style="list-style-type: none"> 1) be included in the List T+; 2) meet the requirements for liquidity and reliability; 3) in relation to government securities of the Republic of Kazakhstan and non-government bonds, meet certain requirements; 4) on the date of monitoring for compliance with requirements for inclusion of financial instruments into List T+, for 6 (six) consecutive calendar months preceding the date of said monitoring, there are no cases of: <ul style="list-style-type: none"> ✓ failure by the issuer of such financial instrument to fulfill its obligations or upon receipt by KACC of information indicating a

		<p>deterioration in financial status of the issuer of such financial instrument, as a result of which consideration the financial instrument no longer satisfies the reliability criteria established by this Procedure;</p> <ul style="list-style-type: none"> ✓ occurrence of cases of failure by the issuer or the admission initiator of such a financial instrument to comply with requirements for disclosure of information on planned changes to the issue prospectuses of securities, issue prospectuses of a bond program and other documents determining the procedure and terms of redemption, payment of coupon interest for bonds, as well as the terms of closing the register of holders for such payments, the amount of coupon payments, the face value for bonds, as well as other characteristics of the security that affect determination of its value, maturity, terms and amounts of payment of coupon interest or dividends; ✓ occurrence of cases of failure by the issuer or the admission initiator of such a financial instrument to comply with requirements for disclosure of information on the corporate events of the issuer of securities; ✓ announcement by the issuer of this financial instrument about repurchase/exchange of this financial instrument; ✓ other cases of significant changes in market conditions, prices of financial instruments or increased market volatility; <p>5) with respect to a financial instrument, the unit responsible for managing the CCP liquidity has an analytical opinion on possibility of forced liquidation of unfulfilled obligations within one trading day;</p> <p>6) in relation to foreign currency, the value of approved concentration limit for such foreign currency is not less than 10 (ten) billion tenge in equivalent. When determining the market risk rates used to determine the value of collateral, the portfolio approach is used, which in turn takes into account the credit ratings of issuers, namely, the lower the rating, the higher the market risk rate.</p>
<p><i>Criterion 2</i> FMI should establish prudential valuation methods and determine discounts that are regularly tested considering the stressed market conditions</p>	<p>Observed</p>	<p>Each day KACC as the CCP:</p> <ol style="list-style-type: none"> 1) sets new values of risk parameters (initial margin rates and concentration rates) of financial instruments in the manner determined by the KACC's internal documents; 2) reevaluates the collateral and open positions of clearing participants;

		<p>3) for each trading and clearing account, calculates the sufficiency of collateral for transactions with CCP and records the margin call (if any).</p> <p>In addition to the specified rates and daily revaluation, KACC applies a mechanism of stress collateral calculated using stress scenarios to cover potential losses in extreme but plausible market conditions and taking into account the risk of reduced liquidity during a period of forced liquidation.</p>
<p><i>Criterion 3</i></p> <p>To reduce the need for procyclical adjustments, a FMI should establish stable and conservative discounts taking into account the market stress periods to the greatest possible and reasonable extent.</p>	Observed	<p>KACC calculates and sets the risk parameters of financial instruments in the manner defined by KACC's internal documents.</p> <p>Minimization of procyclicality is achieved, among other things, through use of a minimum threshold level of risk parameters of financial instruments</p>
<p><i>Criterion 4</i></p> <p>FMI should avoid concentrating certain assets if doing so could materially reduce the ability to liquidate them quickly without a material adverse effect on the price</p>	Observed	<p>KACC sets concentration limits based on the analyzed market volumes. Positions of clearing participants as well as collateral that exceed such limits are revalued at the highest rates of the risk parameters of financial instruments.</p> <p>KACC reevaluates concentration limits in the manner established by KACC's internal documents.</p> <p>KACC's internal documents provide for a collateral structure that includes a limitation on the share of a group of financial instruments in the collateral.</p>
<p><i>Criterion 5</i></p> <p>FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure possibility of its timely use</p>	Observed	<p>Collateral accepted by KACC in the form of foreign currency can be accounted in KACC's correspondent banks based on agreements with these banks. KACC minimizes the risks associated with accepting a cross-border collateral by concluding agreements only with reliable correspondent banks (with investment rating)</p>
<p><i>Criterion 6</i></p> <p>FMI should use a well-designed and operationally flexible collateral management system</p>	Observed	<p>The main characteristics of the KACC's collateral management system include the following:</p> <ul style="list-style-type: none"> ✓ in order to verify the assets in collateral, the latter are recorded in the same trading and clearing accounts as the corresponding positions; ✓ collateral asset management system of KACC allows for recording of collateral both on clients' own accounts and on client accounts (omnibus and separate);

		<ul style="list-style-type: none"> ✓ the same accounts where collateral is recorded are used for deliveries under contracts, which provides additional operational flexibility for clearing participants; ✓ collateral asset management system of KACC allows to deposit, withdraw, transfer between accounts, replace and sell collateral within the same day (after checking the sufficiency of assets in the collateral). <p>Accounts for recording of collateral may be used by clearing participants only for the purposes of securing the operations with KACC, the rights to sell collateral in case of failure of clearing participants to fulfill their obligations to KACC are enshrined in the Republic of Kazakhstan's legislation on the securities market as well as in the Clearing Rules.</p> <p>Reuse by KACC of the securities provided by clearing participants as collateral is not possible. At that, KACC has the right to use the funds provided by clearing participants in its own interests.</p> <p>The collateral management system has a high level of operational flexibility and enables immediate taking into account of changes in market conditions or positions of clearing participants.</p> <p>The sufficiency of collateral is checked by evaluating the collateral of current positions and active orders, all positions are taken into account immediately. To ensure operational stability and flexibility of the collateral management system, KACC uses a centralized post-margining mechanism for TCS+ trading and clearing accounts.</p> <p>As part of the specified mechanism, KACC sets a limit on post-margining, which allows transactions to be concluded without prior deposit of collateral within the set value.</p> <p>Based on the obligations netting results, KACC determines the amount of margin requirements and monitors their execution within the established time.</p> <p>The applied collateral management model provides a certain operational flexibility and integration with the risk control system in accordance with requirements of Criterion 6.</p>
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6. Guarantee fund

CCPs should cover their credit risks created by their participants across all products through an effective, risk-based and regularly reviewed guarantee fund system.

Complies

<p><i>Criterion 1</i></p> <p>CCP must have a guarantee fund system that sets guarantee fund levels commensurate with the risks and characteristics of each product, portfolio and market it services</p>	<p>Observed</p>	<p>The KACC collateral requirements calculation system uses scenario analysis to determine the KACC's potential losses if default management procedures are applied to clearing participants.</p> <p>Currently, KACC has documented procedure for calculating the risk parameters used in determining the collateral requirements, as well as the principles for calculating the sufficiency of collateral.</p> <p>The size of collateral requirement takes into account the specifics of price fluctuations, liquidity and structure of each of the serviced financial instruments, and also enables assessment of potential losses.</p> <p>All transactions for which KACC performs clearing are subject to preliminary check that involves checking all transactions against available collateral using KACC's margining model before they are approved by the trading system. As a result, new transactions cannot lead to unsecured positions of clearing participants. A shortage of collateral can only arise as a result of revaluation of positions or in case of change in risk parameters.</p> <p>In case the clearing participants experience a shortage of collateral, KACC takes the following measures:</p> <ul style="list-style-type: none"> ✓ prohibits the clearing participant from increasing the positions (until the collateral deficiency is eliminated, only transactions that reduce the collateral requirement are permitted); ✓ sends a margin call to the clearing participant during a clearing session. <p>All actions performed by KACC, clearing participants, as well as interaction of KACC with the CD occur within the time established in the Clearing Rules. KACC ensures compliance with the deadlines for execution of margin-call by declaring a default of clearing participants in case the clearing participants fail to fulfill their obligations to fulfill margin calls, as well as by closing the positions of such clearing participants</p>
<p><i>Criterion 2</i></p> <p>CCP must have a reliable source of timely price data used in its guarantee fund system. In addition, CCP must apply procedures and a robust valuation model for use in circumstances where price data is unavailable or unreliable.</p>	<p>Observed</p>	<p>The main source of price data is current information on orders and transactions of clearing participants for the relevant instruments in the markets of KACC.</p> <p>Also, KACC uses current information from other market data providers as an alternative and for quality control purposes.</p> <p>Market data for the KACC's margining model is data from KACC's own database, including on trading activity in the Exchange's markets. In addition,</p>

		<p>other market data providers serve as sources of OTC quotations. Only relevant and timely price information is used. Reliability of the information is assessed by experts. The methodology disclosed on the KACC's website describes the criteria used to determine whether information is reliable and timely, as well as the procedure for determining the KACC's settlement prices</p>
<p><i>Criterion 3</i></p> <p>CCP should use initial margin models and risk-based parameters and develop margin requirements sufficient to cover its potential future exposure to participants, between the last margin payment and the liquidation of positions following a participant's default. The initial margin must correspond to a confidence level of at least 99 percent, established in each individual case, in relation to the expected distribution of future risks.</p> <p>For a CCP that determines margin at the portfolio level, this requirement applies to distribution of future risks for each portfolio.</p> <p>For a CCP that calculates margin in more detail, for example at the sub-portfolio or product level, the requirement for distribution of future risks must be met accordingly.</p> <p>The model should (a) include a conservative estimate of time horizons for effective hedging or liquidation of certain types of products cleared by the CCP (including in stressed market situations), (b) include an appropriate method for measuring the credit risk that takes into account the risk factors for each relevant product and the impact of portfolio risks on various products, and (c) limit, to the maximum possible and reasonable extent, the need for disruptive procyclical changes</p>	<p>Observed</p>	<p>The main approach used in the model is searching for the worst-case scenario. The initial margin model takes into account the specifics of the instruments and is therefore applied with slight differences taking into account the specifics of each of them.</p> <p>The scenarios used in margining models are calibrated using historical data and taking into account the potential scenarios for changes in risk factors.</p> <p>The margining model is based on the following assumptions:</p> <ul style="list-style-type: none"> ✓ potential future positions are the result of possible price fluctuations leading to revaluation of the positions of clearing participants. ✓ losses due to price fluctuations during the liquidation period in case of a default by a clearing participant must be covered from the participant's collateral as a first level of protection in normal market conditions. <p>The margin requirement is calculated at the portfolio level but, nevertheless, KACC only takes into account those effects in the collateral calculation model that have undergone fundamental confirmation and validation.</p> <p>In markets where the need for liquidity to liquidate large positions is considered most acute, KACC also uses increased rates of risk parameters of financial instruments in case of exceeding of concentration limits. The limits themselves and the corresponding risk parameters are determined based on assumption of a gradual closure of positions carried out over a longer period of time in order to avoid significant changes in price of the relevant financial instrument.</p> <p>When determining the risk parameters, KACC uses historical transaction data, taking into account qualitative indicators such as the relevance of used data in terms of changes in the macroeconomic environment, as well as the relevance of instrument-specific risk factors that were in effect during the available period.</p> <p>Depending on the liquidity structure of the portfolio instruments and the influence of the hedging effect within the defaulter's portfolio, KACC selects the optimal position liquidation strategy in terms of minimizing the losses</p>

<p><i>Criterion 4</i></p> <p>CCP must evaluate the participants' positions based on current market prices and charge a variation margin at least once a day in order to limit the build-up of existing risks. CCP must have the appropriate body, powers and operational capacity to issue to the participants the daily margin calls or payment requirements, both scheduled and unscheduled</p>	<p>Observed</p>	<p>KACC performs a preliminary check of collateral sufficiency for all orders to ensure that insufficient collateral situations do not arise due to a participant's trading activity.</p> <p><i>In the stock market</i></p> <p>There is monitoring of collateral sufficiency for clearing accounts (own or clients') of clearing participants in the stock market by calculating the single limit (value of collateral within which the clearing participants can conclude transactions without collateral) for each clearing account of a clearing participant. If based on results of the margin collateral sufficiency check, the single limit is a negative value, the clearing participants are sent a notice of the need to fulfill the margin call, a report on additional contribution of margin collateral in the amount at which the single limit takes on a positive value, no later than 14:00 of the current clearing day.</p> <p><i>In the currency market</i></p> <p>There is monitoring of sufficiency of the collateral of a currency market clearing participant based on the single limit values. If based on results of the collateral sufficiency check, the single limit is a negative value, then the clearing report indicates the requirements for a clearing participant to provide additional collateral (margin call) resulting from the single limit being negative.</p> <p>The requirement is considered fulfilled at the moment when the single limit value ceases to be negative, no later than 14:00 of the current clearing day.</p> <p>The parties to currency swap operations/deliverable futures are obliged to periodically pay each other an amount of cash in tenge, a variation margin, the amount of which depends on change in price of the underlying asset. The variation margin is calculated on the day of transaction conclusion and is paid in the period from the settlement day following the date of the currency swap operation conclusion to the date of fulfillment of obligations on closing transaction of the currency swap operation, inclusive.</p> <p><i>In the derivatives market</i></p> <p>There is the initial margin of clearing participants of the derivatives market.</p> <p>To determine the net claims/net obligations on a trading and clearing account of a clearing participant of the derivatives market, KACC uses the variation margin, which is calculated in the manner defined by the specification of a corresponding derivative financial instrument during the final clearing session conducted by the KACC, and is formed of the amounts of the</p>
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		variation margin for each transaction concluded by the clearing participant. If the amount of money in the collateral account (own or client's) of a clearing participant becomes less than the required amount of initial margin, the clearing participant incurs an obligation to fulfil margin call before 13:00 of the next clearing day.
<p><i>Criterion 5</i></p> <p>When calculating the additional margin contribution requirements, a CCP may allow offsetting or reduction of the required margin in relation to products that it clears personally, as well as in relation to products that it clears jointly with another CCP, if the risk in one product is significantly correlated with the risk in another product.</p> <p>Where two or more CCPs are authorized to apply cross-marginal contributions, they must have adequate safeguards and a harmonized overall risk management system.</p>	Observed	<p>KACC allows for a reduction in collateral requirements for concluded transactions in case the opposite positions are formed from transactions with the same financial instrument.</p> <p>KACC does not have cross-margining agreements with other central counterparties</p>
<p><i>Criterion 6</i></p> <p>CCP must analyze and monitor the performance of its margin model and overall margin coverage through rigorous daily backtesting and, at least monthly and more frequently if necessary, sensitivity analysis. CCP must regularly evaluate the theoretical and empirical properties of the margin model for all products it clears. When conducting a sensitivity analysis of the model coverage, the CCP must take into account a wide range of parameters and assumptions, reflect possible market conditions, including periods of the highest volatility that have occurred in the markets it services, and extreme changes in the correlation between prices</p>	Observed	<p>Backtesting of market risk rates is performed daily based on frequency of rate breakouts.</p> <p>To improve stability, KACC also calculates stress collateral rates that include the worst observations over the past ten years</p>
<p><i>Criterion 7</i></p>	Observed	Periodic (once a year) testing and internal validation of model parameters are carried out. The results of quality assessment of the models as well as

CCP should regularly review and evaluate its guarantee fund system		proposals for their modification are submitted to the Management Board for consideration
<p>7. Liquidity risk</p> <p><i>FMI should effectively assess, monitor and manage its liquidity risk. FMI should maintain sufficient liquid resources in all necessary currencies to settle payments on the specified day and, where necessary, within a day or more with a high degree of reliability, consistent with a wide range of potential stress scenarios including but not limited to default by a participant and its affiliates, which could result in the FMI's largest aggregate liquidity obligations under extreme but plausible market conditions.</i></p> <p>The Treasury assesses and manages the liquidity risk using information received from KACC's structural units, by carrying out forecasting using mathematical methods and other imperative methods. Additionally, the Treasury monitors changes in the cash positions of clearing participants in real time during trading sessions to determine projected balances at the end of a trading day and to take preventive measures to manage liquidity. If necessary, the Treasury, by decision of the KACC's authorized bodies, with the help of a third-party organization (brokerage organization), may attract liquid resources or attract liquid resources as part of default management procedures (Principle 13 of CPSS - IOSCO).</p> <p>CCP has agreements on execution of swap and purchase/sale operations with Provider Banks (for the currencies CNY, EUR, RUB) during the main and additional trading sessions and an agreement with NBRK (the issuing central bank) on provision of liquidity to the CCP for both the currency and stock markets until 18:00 of a trading day based on the principles of urgency and repayment (USD, KZT).</p> <p>KACC believes that the EUR and RUB currency lines do not have a high degree of reliability and may be unavailable in highly stressful market conditions.</p> <p>The CCP has stress scenarios for assessing the large aggregate position of clearing participants that would result in the largest aggregate liquidity obligation for the CCP under extreme but objective market conditions.</p> <p>Complies</p> <p>Criterion 3 of the Principle is not applicable</p>		
<p><i>Criterion 1</i></p> <p>FMI should have a robust system for managing the liquidity risk created by its participants, settlement banks, nostro agents, depository banks, liquidity providers and other organizations</p>	Observed	<p>CCP relies on incoming payments in its favor to fulfill its obligations to participants, as well as short-term liquidity instruments (repo). In case of violation of payment discipline by participants for various reasons, including technical ones, after the end of the main trading session, the CCP, in order to cover the liquidity deficit, has the ability to carry out transactions with NBRK (the issuing central bank) or liquidity providers in foreign currencies (by opening an additional session). CCP has the ability to prepare liquidity in advance by selling the financial instruments in the secondary market in the trading system through a broker, which were acquired by investing the marginal contributions, or to carry out operations in the money market to provide liquidity through a broker, except for cases of default settlement in accordance with Principle 13.</p> <p>In accordance with the Republic of Kazakhstan's legislation, the CCP invests margin collateral in the manner prescribed by the CCP's internal documents. Investment of margin collateral is carried out by a separate unit of KACC -</p>

		the Trading Office. As part of its existing activities to carry out brokerage activities, KACC has the right to participate in trading in the stock market. Thus, by independently investing the margin collateral, KACC minimizes the occurrence of operational risks in the investment process.
<p><i>Criterion 2</i></p> <p>FMI should have effective operational and analytical tools to identify, measure and monitor its settlements and financial flows on an ongoing and timely basis, including use of liquidity during operating day</p>	Observed	To monitor settlement and financial flows in real time, data from clearing and settlement systems as well as treasury liquidity management systems is used. Analytical tools for assessing and monitoring the liquidity include gap analysis and statistical analysis of inflows and outflows using a methodology close to VaR and time series analysis and forecasting methods
<p><i>Criterion 3</i></p> <p>A payment system or SSS, including one using a deferred net settlement (DNS) mechanism, must maintain sufficient liquid resources in all relevant currencies to settle payment obligations on the specified day and, where necessary, within one or more days, with a high degree of confidence, consistent with a broad range of potential stress scenarios that should include but not be limited to a default of one of the participants and its affiliates, capable of creating the largest aggregate payment obligation under extreme but plausible market conditions</p>	Not applicable	Not applicable to KACC. KACC does not perform functions of a payment system or SSS
<p><i>Criterion 4</i></p> <p>CCP must maintain sufficient liquid resources in all relevant currencies to settle payments related to securities, make required variation margin payments and timely fulfil other payment obligations with a high degree of certainty under a wide range of potential stress scenarios including but not limited to default of a participant and its affiliates that could create the largest aggregate payment obligation for the CCP under extreme but</p>	Observed	<p>The CCP's liquid resources are formed from margin contributions, full and/or partial collateral for fulfilment of obligations on transactions concluded in the trading system of the Stock Exchange by the open trading method and/or with CCP participation, as well as from assets acquired as a result of investments in the CCP's guarantee or reserve funds, and agreements concluded between the CCP and clearing participants to act as providers in case of a lack of liquidity for the purposes of default management of a clearing participant.</p> <p>The KACC's liquid resources are formed from funds contributed by clearing participants as margin collateral, funds from guarantee and reserve funds, as well as funds intended for settlement after clearing. In addition, KACC has</p>

<p>plausible market conditions. In addition, a CCP that participates in activities with a more complex risk profile or is systemically important in multiple jurisdictions should consider maintaining the additional liquid resources sufficient to cover a wide range of potential stress scenarios including but not limited to default of two participants and their affiliates that could create the CCP's greatest aggregate payment obligation under extreme but plausible market conditions</p>		<p>at its disposal the highly liquid financial assets that can be quickly converted into cash through market mechanisms, including repo and currency swap operations.</p> <p>KACC regularly assesses the sufficiency of liquid resources through liquidity stress testing, including scenarios of default of a clearing participant and its affiliates that could create the KACC's largest aggregate liquidity obligation under extreme but plausible market conditions. Stress scenarios include modeling of liquidity outflows associated with the need to fulfil obligations to bona fide participants, as well as the liquidity needs to settle a participant's default.</p> <p>Trading modes with CCP are conducted in the settlement currencies KZT, USD, EUR, CNY, RUB. The CCP forms margin collateral in KZT and USD and maintains the required liquidity level in accounts to carry out clearing activities as part of the CCP's risk management system.</p> <p>In case of occurrence of a liquidity risk in EUR, CNY and RUB, the CCP relies on agreements concluded with the Provider Banks within the volumes specified in the agreement with the Provider Banks. The Treasury also conducts test operations with Provider Banks under stress scenarios for provision of liquidity and assessment of the maximum liquidity that can be obtained on a given operating day.</p> <p>At the same time, the current mechanism for liquidity provision with the NBRK (the central bank) specifies a minimum volume of attracted liquidity equal to at least two large positions of clearing participants.</p>
<p><i>Criterion 5</i></p> <p>To meet the requirement for minimum liquidity resources, a FMI's qualifying liquid resources in each currency include cash at the issuing central bank and creditworthy commercial banks, committed credit lines, foreign currency swap agreements and confirmed repos, and highly liquid collateral held at the depository, as well as investments that are immediately available and convertible into cash with pre-established and highly reliable funding arrangements, even in extreme but</p>	<p>Observed</p>	<p>KACC forms and maintains a sufficient volume of qualifying liquid resources in each settlement currency, ensuring timely and complete fulfillment of obligations arising after clearing, including conditions of extreme but plausible market stress. KACC's liquidity management policy is aimed at ensuring the continued availability of liquid funds and maintaining the CCP's ability to meet its obligations to clearing participants.</p> <p>KACC maintains a significant amount of funds in correspondent accounts with NBRK and CD, as well as in creditworthy and reliable correspondent banks that meet the established internal requirements for reliability and financial stability. The said funds are under the KACC's control and are available for immediate use for the purposes of settlement and liquidity management.</p>

<p>plausible market conditions. If a FMI has regular access to credit at the issuing central bank, the FMI may consider that access to credit as a minimum requirement within the limits of available collateral eligible for pledge to (or other relevant types of transactions with) the relevant central bank. All listed resources must be available when needed.</p>		<p>KACC also has access to the NBRK's liquidity provision instruments within the existing liquidity provision mechanism, including repo and currency swap operations, which allows to quickly raise funds, if necessary, using highly liquid assets accepted by the central bank as collateral. Presence of these mechanisms ensures timely conversion of available collateral into cash, even in conditions of increased volatility and stressful situations in financial markets.</p> <p>For the purpose of additional liquidity provision, KACC has entered into agreements with clearing participants and liquidity providers that include possibility of providing securities and foreign currency for the purposes of liquidity management and covering the consequences of a participant's default. Under the agreements, in particular on the currency market, specific volumes of currency liquidity available to CCP are defined, which ensures availability of pre-agreed and reliable mechanisms for attracting the liquidity.</p>
<p>Criterion 6</p> <p>FMI may supplement its qualifying liquid resources with other types of liquid resources. In this case, the said liquid resources must be in the form of assets that are readily realizable or acceptable as collateral for a credit line, swap or repo due to a default, even if this cannot be reliably pre-determined or guaranteed under extreme market conditions. Even if FMI does not have regular access to credit from the issuing central bank, it should consider what collateral is typically accepted by the relevant central bank, as these assets are more likely to be liquid in stressful circumstances. FMI should not consider obtaining an emergency loan from the central bank as part of its liquidity plan</p>	<p>Observed</p>	<p>In addition to the existing qualifying liquid resources, KACC also maintains other liquid resources in the form of highly liquid financial assets within other portfolios that can be quickly sold in the market or used as collateral to attract liquidity through repo, currency swap operations or other market mechanisms.</p> <p>In particular, KACC has at its disposal the collateral contributed by clearing participants in the form of cash, government securities of the Republic of Kazakhstan, foreign currency and other liquid financial instruments that meet the established requirements for quality and liquidity. These assets have a high degree of market liquidity, have an active secondary circulation market, and can be sold or used as collateral to attract liquidity even in conditions of increased market volatility or default of a clearing participant.</p> <p>When determining the composition of accepted collateral, KACC takes into account, among other things, the criteria of liquidity and the acceptability of assets for their use in the liquidity line with NBRK and repo market operations, which increases the likelihood of their effective use in stressful conditions. This provides the opportunity to attract additional liquidity based on available collateral through market financing mechanisms.</p> <p>At the same time, KACC does not consider the possibility of obtaining emergency lending from the central bank as a key element of planned</p>

		liquidity management. Liquidity management is based on own qualified liquidity resources and pre-established and reliable mechanisms for attracting the liquidity, including participants' collateral and contractual mechanisms with liquidity providers.
<p><i>Criterion 7</i></p> <p>FMI should ensure a high degree of certainty, through rigorous due diligence, that each provider of minimum required qualifying liquid resources, whether a FMI participant or a third party, has sufficient information to understand and manage the associated liquidity risks and that it has the ability to meet the requirements of its obligations. When it is necessary to assess reliability of a liquidity provider's performance in relation to a particular currency, the liquidity provider's potential access to credit at the issuing central bank may be taken into account. FMI should regularly test its procedures for availability of its liquid resources held by a liquidity provider.</p>	Observed	<p>Assessment of the financial status of liquidity providers is carried out in accordance with the KACC's procedures for determining the internal ratings. Claims and obligations to liquidity providers are reassessed daily.</p> <p>Moreover, in the domestic market, the NBRK itself can act as the most reliable liquidity provider for KACC. Commercial banks (provider banks) also act as liquidity providers. All foreign liquidity providers are either systemically important organizations or organizations with international investment-grade ratings.</p> <p>Counterparty assessment procedures are regularly tested and revised as market conditions and the composition of counterparties change.</p>
<p><i>Criterion 8</i></p> <p>FMI with access to accounts in the central bank, payment services or securities-related services should use these services, if appropriate, to enhance its ability to manage the liquidity risk.</p>	Observed	<p>KACC has access to the NBRK services when making payments and settlements in tenge, as well as the ability to receive monetary liquidity from NBRK for the purposes of settling the defaults of clearing participants and for the purposes of covering the counterparty risk. KACC keeps them in constant readiness and uses them as needed.</p> <p>The choice of settlement banks is based on their credit quality and operational capabilities when making payments and settlements in the relevant foreign currencies. The infrastructure of commercial banks is used in cases when the infrastructure of NBRK and CD cannot be used. KACC uses the services of foreign settlement banks as well as Kazakhstan's settlement organizations (CD and commercial banks)</p>
<p><i>Criterion 9</i></p> <p>FMI should determine the volume and regularly test the sufficiency of its liquid resources using regular and thorough stress tests. FMI should have clear procedures for</p>	Observed	<p>KACC conducts stress testing of liquid assets using the scenarios described in answers to the relevant questions.</p> <p>Management reporting on the stress testing of liquid assets as part of comprehensive report on results of stress testing of the KACC's financial</p>

<p>reporting the stress test results to the FMI's relevant decision-making bodies to assess the adequacy of and adjust its liquidity risk management system. When conducting stress testing, FMI must consider a wide range of stress scenarios. The scenarios should include the relevant peak values of historical price volatility, changes in other market factors such as the determinants and yield curves, multiple default events in different time periods, simultaneous pressure on financial and asset markets, and a range of forward-looking stress scenarios under a variety of extreme but plausible market conditions. The scenarios should also take into account the structure and operation of FMI, include all organizations that may expose FMI to material liquidity risk (such as settlement banks, nostro agents, depository banks, liquidity providers and associated FMIs) and, where appropriate, cover a multi-day period. In all cases, FMI should support with documents the rationale and have appropriate governance mechanisms regulating the amount and type of general liquid resources it maintains</p>		<p>stability as of the reporting dates is submitted for consideration to the KACC's Management Board.</p> <p>Management reporting data on stress testing are also provided to the Board of Directors.</p> <p>Liquidity stress testing is carried out as part of the established stress testing procedure.</p> <p>To generate the scenarios, changes in risk factors associated with underlying market indicators are used, such as:</p> <ul style="list-style-type: none"> ✓ change in the tenge exchange rate against a basket of currencies (US dollar, Russian ruble, yuan and euro); ✓ interest rates; ✓ volatility of prices; ✓ other information. <p>Use of a "delivery versus payment" settlement model and the ability to net the defaulter's positions are built into the loss determination model within the established stress testing procedure.</p> <p>The used historical and hypothetical scenarios as well as the methodology are periodically reviewed. In addition, provision is made for the possibility of revising the used scenarios at the initiative of the KACC's unit responsible for risk management, as the need arises (for example, due to changes in market conditions).</p> <p>KACC has procedures regulating the method for determining the need for liquidity</p>
<p>Criterion 10</p> <p>FMI should have clear rules and procedures allowing FMI to settle payment obligations on the day of the transaction conclusion or within a working day, or within a few days in case of individual or collective default by participants. These rules and procedures must address the unexpected and potential liquidity shortages and must be designed to prevent closing of positions, cancellation or delay of settlement of payment obligations on the day of the transaction conclusion. In addition, the rules</p>	<p>Observed</p>	<p>KACC's procedures for fulfilling the transaction (settlement) obligations include the KACC's requirement for clearing participants to transfer funds in the amount of formed net obligations by the time of the clearing start to the KACC's correspondent accounts and the use of this money to satisfy the net claims of clearing participants. The procedures for managing the CCP's liquidity in case of a shortage of funds for settlement are specified in the KACC's internal regulatory documents that contain the procedure and methods for attracting the liquidity.</p> <p>During a clearing session in the derivatives, stock and currency markets, in case of a clearing participant's full or partial failure to fulfil its obligations, the procedures for postponing the fulfilment of obligations are carried out or their complete termination/liquidation within the framework of the CCP's internal</p>

<p>and procedures should also define the process for FMI to replenish any liquidity resources it has used during a stress event in order to continue to operate reliably and effectively.</p>		<p>regulatory documents. Transfer of fulfillment of the obligations of clearing participants in case of default is carried out using the CCP's assets located in accounts for implementation of clearing activities.</p> <p>The formed collateral of clearing participants as well as contributions to the guarantee fund and other collateral are used in the procedures for settling a clearing participant's default using the "waterfall" principle in accordance with the clearing procedures/method of the CCP and other internal regulatory documents.</p>
<p>8. Completion of settlement <i>FMI should ensure full and reliable completion of settlement at least before the end of the valuation day. Where necessary or appropriate, FMI should ensure final settlement within the operating day or in real time.</i></p> <p>Complies</p>		
<p><i>Criterion 1</i> FMI's rules and procedures should clearly define the point at which settlements become final</p>	<p>Observed</p>	<p>The finality of payments in Kazakhstan's financial system is based on a combination of legislative acts and regulations governing payment systems, clearing sessions and registration processes. The finality of payments is defined and regulated by the Republic of Kazakhstan's Law "On Payments and Payment Systems", according to which a payment is considered complete after the funds have been credited to the payment system's account in which favor the payment was made. The time and place of finality are determined and recorded in real time by the systemically important payment system operator.</p> <p>Article 155 of the Republic of Kazakhstan's Civil Code (General Part) states that transactions are considered completed from the moment of registration, unless otherwise provided by legislative acts, and Article 36 of the Republic of Kazakhstan's Law "On the Securities Market" describes how transactions with securities are registered in the nominee holding recording system or in the holder register system and the CD as the central registrar. Taken together, these provisions form the basis for legal transfer of the title to securities through the registration process as the most important step in ensuring finality, and refusal of registration may only be based on violation of legal requirements.</p> <p>KACC holds two clearing sessions per day during which the net obligations are settled and the participants have a set deadline to provide financial instruments for settlement.</p>

		<p>Settlement is completed by transferring the securities to the CD in accordance with KACC's instructions and conducting the cash settlements in the KACC's system. After each session, the confirmation reports are sent to the participants.</p> <p>Settlement of a payment, transfer order or other obligation is considered final at the moment of receipt of funds in the correspondent account of the settlement organization. The final net claims/net obligations for cash are fulfilled on the collateral accounts opened in the KACC's internal accounting system for the clearing participants, and for the securities - in the KASE sections, no later than the end of a settlement and clearing session as established by the Regulations.</p> <p>The specified procedure is defined in the Clearing Rules posted on the KACC's website.</p> <p>The procedure for fulfilling the obligations following the clearing is contained in the KACC's Clearing Rules establishing that obligations subject to fulfillment are included into the clearing pool and terminated after the clearing session.</p> <p>The rules of cash settlement for transactions with the central counterparty in the stock market establish that the final claims and obligations of clearing participants are calculated at the end of each clearing session and summed up at the end of the day.</p> <p>Contracts for provision of clearing and settlement services between clearing participants and KACC are concluded under Kazakhstan's jurisdiction, and the applicable legislation is the Republic of Kazakhstan's legislation.</p> <p>KACC does not perform clearing in other jurisdictions. In accordance with the Republic of Kazakhstan's legislation, suspension of operations on trading and clearing accounts is not permitted in relation to property that is necessary for fulfillment (termination) of obligations admitted to clearing. The rules established by this article apply to Kazakhstan's and foreign organizations.</p> <p>However, a foreign state's laws apply to contractual relations based on which the KACC's accounts are opened in foreign banks (settlement organizations) located outside the Republic of Kazakhstan's jurisdiction, unless the contract between KACC and a foreign bank provides otherwise.</p>
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<p><i>Criterion 2</i></p> <p>FMI should make final settlements no later than the end of the valuation date, preferably during the operating day or in real time, to reduce the settlement risk. A large payment system (LPS) or SSS should consider using a real-time gross settlement system or multi-stage processing during the settlement day</p>	<p>Observed</p>	<p>The time regulations of KACC and CD are designed so that the settlement is completed on the valuation date.</p> <p>The clearing sessions are held every working day. KACC makes every effort to ensure timely settlement for bona fide clearing participants.</p> <p>The clearing participants are informed by provision of reports on results of the clearing session.</p> <p>According to the KACC's rules:</p> <ol style="list-style-type: none"> 1) for stock market transactions, the gross settlements are carried out in real time, the net settlements are carried out twice a day based on results of each clearing session; 2) for currency market transactions, the settlements are carried out based on results of each clearing session; 3) in the derivatives market, the settlements are carried out during a clearing session. <p>The regulations of clearing and settlement for all markets (currency, stock, derivatives) are clearly spelled out in the KACC's internal documents: Regulations of clearing sessions for the central counterparty transactions</p>

<p><i>Criterion 3</i> FMI should clearly define the point after which the unsettled payments, transfer orders or other obligations may not be revoked by a participant</p>	<p>Observed</p>	<p>Revocation of applications from clearing participants for transfer of collateral is regulated by internal documents governing the settlement of transactions in each market, which provide for impossibility of revoking these applications after they have been sent by KACC to its servicing bank.</p>
<p>9. Cash settlement <i>FMI should perform cash settlements in the central bank funds where appropriate and possible. Where the central bank funds are not used, FMI should minimize and strictly control the credit and liquidity risks arising from use of commercial bank funds.</i> Complies</p>		
<p><i>Criterion 1</i> FMI should make cash settlements in the central bank funds where appropriate and possible in order to avoid credit and liquidity risks</p>	<p>Observed</p>	<p>To ensure the stability of the system, KACC stores guarantee contributions and collateral of clearing participants in correspondent accounts in tenge and foreign currencies at the National Bank, the Central Depository and other servicing banks.</p> <p>At that, KACC's correspondent accounts in the National Bank in foreign currencies are reserve bank accounts of KACC and can be used to carry out settlement on transactions in order to fulfil the KACC's settlement obligations and to avoid default in the markets in case the settlement through commercial servicing banks is impossible.</p> <p>To carry out settlements in foreign currency, KACC uses its bank accounts in foreign banks, the Central Depository and second-tier banks of the Republic of Kazakhstan. . The requirements set out in the internal document, the Procedure for Review and Monitoring of KACC's Correspondent Banks, are applied to the specified banks.</p>
<p><i>Criterion 2</i> If the central bank funds are not used, FMI should conduct cash settlement using risk-free assets or settlement assets with low credit and liquidity risks</p>	<p>Observed</p>	<p>KACC provides its clearing participants with access to a wide range of currencies to facilitate fulfilment of payment obligations associated with clearing processes. To this end, KACC has established correspondent relations with the National Bank of the Republic of Kazakhstan, the Central Depository and commercial banks. For foreign currencies, including US dollars, euros, rubles and yuan, KACC maintains relations with at least two correspondent banks for each currency to minimize potential risks. KACC sets limits on the amount of funds that each commercial bank can process. Once this limit is reached, the settlements are redirected to an alternative bank. These limits are defined in the risk management policy and are controlled by the Treasury.</p>

		<p>To mitigate any remaining credit and liquidity risks associated with commercial banks, KACC uses a robust internal risk management system. This includes monitoring the credit ratings of banks and conducting quarterly risk assessments to assess each bank's stability and its compliance with established KACC's criteria. In case of a sudden deterioration in a bank's credit quality, KACC may review the relations or reduce/cancel the bank's limit.</p> <p>In addition, KACC evaluates both qualitative and quantitative factors of performance of the commercial banks through audit and quarterly reports. This integrated approach enables KACC to effectively manage relations with the correspondent banks and ensure a stable and reliable settlement process for its clearing participants.</p> <p>When choosing the foreign settlement banks, preference is given to national (central) banks or the largest commercial banks, as well as banks recommended by the national (central) banks.</p> <p>The list of settlement banks is available on the KACC's website (www.kacc.kz)</p>
<p><i>Criterion 3</i></p> <p>If FMI settles in commercial bank funds, it should monitor, manage and limit its credit and liquidity risks arising from interaction with commercial settlement banks. In particular, FMI should establish and monitor compliance with strict criteria applicable to settlement banks, including those related to procedure for regulation and supervision of their activities, creditworthiness, capitalization, access to liquidity and operational reliability. FMI should also monitor and manage the concentration of credit and liquidity risks to which it is exposed from commercial settlement banks.</p>	<p>Observed</p>	<p>KACC conducts an internal assessment of creditworthiness of the correspondent banks, which includes a quarterly report from the risk management department on the bank's stability and whether the bank meets the established KACC criteria. A sudden change in an agent's credit quality may result in re-evaluation of the relations and/or reduction or cancellation of its limit.</p> <p>Given KACC's reliance on commercial banks for efficient functioning of its clearing processes, KACC has developed its own criteria for assessment of these banks. These criteria are used to assess the banks before the start of work and then on a regular basis to ensure ongoing compliance with requirements. This criterion evaluates the following aspects of an organization's activities: stability of its financial position and business reputation, recognition and reputation in the national and global financial systems, availability of a banking license, availability of a developed clearing infrastructure and extensive experience in settlement operations, guaranteed and secure settlement, a low risk level, the largest number of correspondent accounts opened for the clearing participants, financial assessment, availability of real-time feedback and a long-term credit rating.</p> <p>Operational control of the KACC's liquidity position is carried out based on:</p>

		<ul style="list-style-type: none"> ✓ data on the KACC's liquidity position at the beginning of the trading day, i.e. balances on nostro accounts for the main types of currencies as of the morning of the current day; ✓ data on the expected volumes of balances of credits/debits of funds of the clients that are clearing participants; ✓ data on payments for purchase/sale of securities; ✓ data on the expected own conversion operations; ✓ data on individual payments related to payment for administrative and business operations; ✓ data on other operations affecting the liquidity position. <p>The risk management department conducts an analysis of correspondent banks to identify credit risks in accordance with Methodology for determining and calculating the probability of default on financial instruments</p> <p>Operational analysis and control of liquidity is carried out for individual currencies in which the operations are conducted on the Exchange.</p> <p>In case of shortage of operational liquidity under normal market conditions, the following measures are taken:</p> <ul style="list-style-type: none"> ✓ attracting the required volume of funds in the market, including swap transactions; ✓ carrying out operations for purchase/sale of foreign currency in the required volumes; ✓ reduction of securities portfolios, conducting repo operations; ✓ determining the priority of payments. <p>KACC's prospective liquidity is regularly analyzed and assessed, which includes:</p> <ul style="list-style-type: none"> ✓ analysis of prospective liquidity over all time horizons using gap analysis, including forecasting of cash flows in accordance with the actual timing of asset sales, redemption and collection of obligations; ✓ determination of the KACC's rational need for liquid assets, including determination of excess/deficit of liquidity; ✓ analysis of prospective liquidity using liquidity excess/deficit ratios; ✓ analysis of the structure and concentration of the KACC's assets and liabilities, the status of claims (especially with overdue terms) and obligations (especially in presence of a threat of early presentation).
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		<p>The assessment and monitoring of prospective liquidity risk is carried out across all main currencies in which the Exchange conducts operations.</p> <p>For all settlement banks, their financial position is regularly assessed to identify signs of possible insolvency. The most reliable banks act as the settlement banks.</p> <p>In addition, KACC carries out continuous monitoring of the concentration risk. If a certain concentration level is exceeded, excess liquidity not used in settlement is transferred to other banks.</p> <p>At that, KACC is seeking to diversify its correspondent network by including banks that could potentially act as settlement banks.</p> <p>According to the Methodology for Calculating the Probability of Default on Financial Instruments, KACC monthly calculates the probability of default for second-tier banks, while the probability of default for non-resident banks and other organizations, including government securities, is calculated at least once per quarter. If negative information on counterparties/issuers of securities is identified, indicating an increased risk of insolvency of a counterparty/issuer and/or a decrease in liquidity of a financial instrument, the information is immediately communicated to members of the Investment Committee.</p>
<p><i>Criterion 4</i> If FMI conducts cash settlements using its own books, it must minimize and strictly control its credit and liquidity risks</p>	<p>Observed</p>	<p>KACC minimizes the credit and liquidity risks as described in Principle 9. CC maintains records of its own funds separately from funds received from clearing participants to secure fulfillment of their obligations, as well as from funds reserved to cover the risks of the Central Counterparty</p> <p>As the central counterparty, KACC must carefully assess the credit and liquidity risks inherent in executing of these settlements. To this end, KACC uses a comprehensive set of mechanisms on a daily basis, including the Value-at-Risk (VAR) approach, stress tests, its own internal credit rating methodology, and other quantitative approaches designed to provide a comprehensive assessment of potential risks.</p> <p>The central counterparty also maintains additional reserve and settlement funds, providing an additional level of protection against unforeseen circumstances.</p>

<p><i>Criterion 5</i> FMI's legal agreements with any settlement banks should clearly state when transfers become final during transfers on books of individual settlement banks, and that received funds should be transferred as soon as possible, at least by the end of the day and ideally within the operating day, to enable the FMI and its participants to manage credit and liquidity risks</p>	<p>Observed</p>	<p>KACC has established a solid foundation for cooperation with its settlement banks through comprehensive legal agreements that are fully compliant with the current legislation of the relevant jurisdictions.</p> <p>Correspondent account agreements with settlement banks (or account maintenance conditions in case of non-resident banks) establish the time limit for debiting/crediting the funds from/to the correspondent account as the valuation date "current working day", and that transfers become final upon their execution and that a bank may dispose of funds in its correspondent account from the moment they are credited to the said account.</p> <p>Moreover, the agreements expressly confirm that once the transfer is completed, it is considered final and irreversible. The agreements also guarantee that any funds received by KACC are fully transferable, ensuring smooth flow of funds in real time.</p> <p>Settlement on correspondent accounts is carried out throughout the entire operating day of the relevant correspondent bank</p>
<p>10. Actual delivery <i>FMI should clearly define its obligations with respect to delivery of real instruments or commodities and identify, monitor and manage the risks associated with actual delivery.</i> Not applicable.</p>		
<p><i>Criterion 1</i> FMI's rules should clearly define its obligations with respect to delivery of physical instruments or commodities</p>	<p>Observed</p>	<p>Not applicable. All financial instruments are issued in book-entry form</p>
<p><i>Criterion 2</i> FMI should identify, monitor and manage the risks and costs associated with storage and actual delivery of physical instruments or commodities</p>	<p>Observed</p>	<p>Not applicable. All financial instruments are issued in book-entry form</p>
<p>11. Central securities depositories</p>		

The central securities depository must have appropriate rules and procedures to ensure safekeeping of securities issues and to minimize and manage the risks associated with storage and transfer of securities. The CD must record securities in immobilized or dematerialized form for the purpose of their transfer in book-entry form.

KACC does not perform the functions of a Central Securities Depository.

The principle is not applicable

12. Asset exchange settlement systems

If FMI settles transactions that involve settlement of two interrelated obligations (for example, securities or foreign exchange transactions), it should eliminate the principal risk by performing final settlement of one obligation after final settlement of other obligation.

Complies

Criterion 1

FMI that is an asset exchange settlement system should eliminate principal risk by ensuring final settlement of one obligation when, and only when, the final settlement of the interrelated obligation is also taking place, regardless of whether the FMI settles on a gross or net basis and regardless of when the settlement becomes final

Observed

Principal risk in relation to a clearing participant may arise from operations with securities and foreign currency. Settlements on conditions "delivery versus payment" or on conditions of advance delivery by a clearing participant eliminate the possibility of the risk arising.

The procedures for using this mechanism are described in the Clearing Rules:

- ✓ KACC determines the net obligations of a clearing participant in each relevant security and currency on each date;
- ✓ on the settlement date (determined in accordance with the Clearing Rules for each financial instrument for which KACC carries out clearing activities), KACC verifies fulfilment by the clearing participant of its settlement or delivery obligations. Delivery and settlement are carried out using the same accounts in which the collateral is recorded, so KACC always has access to information on the balances in these accounts;
- ✓ if the total amount of obligations has been fulfilled by the clearing participant, then KACC, for its part, fulfills the corresponding obligations in relation to the clearing participant;
- ✓ if it is impossible to transfer the obligations, the position is closed and the participant's obligation is terminated.

These procedures guarantee that final settlement of one obligation will only be made subject to final settlement of the interrelated obligation.

Settlement of interrelated obligations is made on the net basis.

Settlement of transactions with foreign currency and securities is carried out based on the principles of "delivery versus payment".

		<p>Financial instruments used for clearing and recorded in trading and clearing accounts are protected from third-party claims until the settlement is completed after clearing.</p> <p>KACC independently monitors compliance with the principle "delivery versus payment"</p>
<p>13. Rules and procedures related to participant default</p> <p><i>FMI should have effective and clearly defined management rules and procedures in case of a participant's default. These rules and procedures should be designed to ensure that FMI can take timely measures to mitigate losses and liquidity pressure and continue to meet its obligations.</i></p> <p>Complies</p>		
<p><i>Criterion 1</i></p> <p>FMI should have rules and procedures to manage participant defaults, which enable the FMI to continue to fulfil its obligations in case of a default by one participant and to regulate the replenishment of resources following the default</p>	<p>Observed</p>	<p>The KACC's rules and procedures establish a list of grounds for the KACC's ability to declare both operational and technical default of a clearing participant and include actions to be taken in case of KACC declaring a clearing participant's default.</p> <p>Cases of operational default include the failure of a clearing participant to fulfil the obligations on transactions in full and within the established time, as well as the failure to fulfil a margin call in full and within the established time.</p> <p>Cases of financial default are:</p> <ul style="list-style-type: none"> ✓ cases of the authorized body revoking (cancelling) a license to carry out banking operations of a clearing participant that is a credit organization; ✓ cases of appointment of a temporary administration or a court decision to introduce one of the bankruptcy procedures in relation to a clearing participant; ✓ cases of revocation (cancellation) of a special permit (license or other basis) issued by the competent authority of the state of establishment of a non-resident bank, based on which the non-resident bank has the right to carry out banking operations specified by the legislation of the non-resident bank. <p>Actions taken in case of KACC declaring a default of a clearing participant include:</p> <ul style="list-style-type: none"> ✓ termination of all transactions of the clearing participant whose default has been declared by KACC; ✓ conclusion by KACC of transactions hedging the risks arising from termination of all transactions of the clearing participant whose default has been declared by the Exchange.

		<p>Regulation of situations of a clearing participant's default:</p> <p>Operational default:</p> <ul style="list-style-type: none"> ✓ conclusion of "closing" transactions or termination of obligations in case of transfer impossibility - cash settlement; ✓ sale of collateral; ✓ use of contributions of an unscrupulous clearing participant to the guarantee funds. <p>In case of operational default, the actions are automatic.</p> <p>Financial default:</p> <ul style="list-style-type: none"> ✓ termination of clearing services, ✓ termination of obligations on transactions on the day of termination of clearing services, ✓ liquidation netting. <p>In case of a financial default, the KACC employees act in accordance with the Clearing Rules and internal procedures.</p> <p>Termination of obligations and calculation of the net obligation/net claim during liquidation netting is carried out in accordance with the Clearing Rules and internal procedures on the day following the date of license revocation/decision to initiate bankruptcy proceedings.</p> <p>In case of operational default - use of KACC's own funds to fulfill obligations to bona fide clearing participant, conclusion of repo transactions with "providers".</p> <p>In case of a financial default, measures specified in the KACC's Business Recovery Plan may also be invoked.</p> <p>KACC maintains in constant readiness all available tools for obtaining the additional liquidity (for details, see Principle 7).</p> <p>KACC may also send to bona fide clearing participants a demand to replenish the guarantee funds (for details, see Principle 4).</p> <p>The procedures of the clearing rules also specify that in case of using the contributions to the guarantee funds from the bona fide clearing participants, KACC sends them notifications about the use of funds and the need to contribute additional funds.</p> <p>In order to determine the measures that need to be taken in crisis situations, both related and not related to default of clearing participants, the KACC has</p>
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		<p>developed and approved a Business Recovery Plan (hereinafter, the Recovery Plan).</p> <p>According to the Recovery Plan, early response indicators are used for early warning of a risk occurrence and to take preventive measures to reduce/eliminate the KACC's risk. To assess the KACC's liquidity/financial status, the following quantitative and qualitative assessments of values of early response indicators are adopted:</p> <ul style="list-style-type: none"> ✓ Green zone (stable level) ✓ Yellow zone (alarming level - threshold value) ✓ Red zone (critical level) <p>The KACC's Management Board, based on analysis of whether the early response indicators have reached the alarming (threshold) or critical level, may make one of the following decisions:</p> <ul style="list-style-type: none"> ✓ take no action; ✓ on approval of the Action Plan for a crisis situation based on early response indicators, containing measures provided in the Recovery Plan; ✓ on inclusion into the Crisis Action Plan of measures not specified in the Recovery Plan. <p>KACC, in accordance with the procedure established by the Rules for Clearing Activities as well as the Crisis Action Plan, uses the following funds/sources of financing to maintain/restore the activities:</p> <ul style="list-style-type: none"> ✓ funds (reserve and guarantee) for default settlement; ✓ additional resources. <p>In case of an event related to default of clearing participants and/or occurrence of risks associated with the KACC's settlement infrastructure, the additional resources may be (used in priority order):</p> <ul style="list-style-type: none"> ✓ liquidity from the NBRK as part of default management; ✓ additional capitalization from the parent organization; ✓ other funding sources approved by the KACC's Board of Directors.
<p><i>Criterion 2</i> FMI should be well prepared to apply the rules and procedures in case of a default, including</p>	<p>Observed</p>	<p>The procedures for default settling are described in the Clearing Rules and the Default Settlement Rules.</p>

<p>the relevant discretionary procedures specified in its rules</p>		<p>These internal documents contain comprehensive provisions and procedures to be implemented upon occurrence of an event of default, including but not limited to conditions and timing of transaction conclusion, the methods of used trading and the procedure for decision-making by authorized bodies.</p>
<p><i>Criterion 3</i> An FMI should publicly disclose key aspects of its default management rules and procedures</p>	<p>Observed</p>	<p>The Clearing Rules, which set out the procedure for conducting the default management procedures, are available at the KACC's website.</p> <p>a) Procedure for settling a default on obligations of clearing participants:</p> <ol style="list-style-type: none"> 1) a margin call is made in case of insufficient collateral; 2) procedures for forced closure of positions and forfeiture of collateral are carried out in case of an unfulfilled margin call or an unfulfilled obligation for several consecutive days; 3) if an individual clearing collateral is insufficient to pay off the debt or to satisfy a defaulter's margin call, its contribution to the guarantee fund is used. If its contribution to the guarantee fund is insufficient, the KACC's reserve fund (Skin-in-the-game) is used, as well as contributions to the guarantee fund of bona fide clearing participants; 4) when bankruptcy proceedings are introduced against a clearing participant or the license to carry out banking operations is revoked, a liquidation netting procedure is carried out, and a transfer of positions is also possible; 5) a mechanism for distributing the losses is provided through the procedure for discounting of obligations, which is used in relation to obligations to pay variation margin. <p>b) The default management procedures are carried out by the responsible units of KACC.</p> <p>c) In case of a clearing participant's default, KACC enters into balancing transactions with a bona fide clearing participant, similar to the transactions executed by KACC with the defaulter.</p> <p>e) There are no direct relations between a clearing participant's clients</p>
<p><i>Criterion 4</i> FMI should involve its participants and other stakeholders in testing and analysis of its procedures in case of default, including any liquidation procedures. Such testing and</p>	<p>Observed</p>	<p>Testing of KACC's procedures and operational capabilities is regularly conducted as part of testing the changes in trading and clearing systems, including in collaboration with the clearing participants.</p>

analysis must be conducted at least once a year or after significant changes in the rules and procedures to ensure their appropriateness and effectiveness		For convenience of clearing participants, a test environment of the trading system has been created. In it, the clearing participants can test any operations and procedures, including default management procedures
<p>14. Segregation and transferability <i>CCP must have rules and procedures that ensure segregation and transferability of positions of a participant's clients and the collateral provided to the CCP for these positions.</i> Mostly complies</p>		
<p><i>Criterion 1</i> CCP must, at the least, have segregation and transfer mechanisms that effectively protect, in accordance with the current legislation, the positions of a participant's clients and the corresponding collateral in case of default or insolvency of one participant. If CCP additionally offers protection of such client positions and collateral against simultaneous default of one participant and its affiliates, the CCP must take measures to ensure effectiveness of such protection</p>	Mostly observed	<p>The Clearing Rules establish requirements for clearing participants in the stock and derivatives markets regarding the mandatory separate accounting of cash as well as obligations and collateral of clearing participants and their clients. KACC also ensures separate accounting of property of a client that is a clearing participant, which cannot be used to secure and/or fulfil this clearing participant's obligations subject to fulfillment at the expense of its other clients.</p> <p>Upon a client's instruction received by the CC through the depository, the client's assets can be transferred from one broker to another</p>
<p><i>Criterion 2</i> CCP must use an account structure that allows it to quickly identify the positions of a participant's clients and segregate the corresponding collateral. CCP must maintain the client positions and record collateral in individual client accounts or in omnibus client accounts</p>	Observed	<p>According to the Procedure for opening, maintaining and closing of clearing accounts, trading and clearing accounts, KACC opens a separate account for each clearing participant for its own assets and separate accounts for clients of the clearing participant (individual and omnibus accounts). Margin collateral and positions of clearing participants and their clients are recorded in these accounts. KACC may at any time identify the positions and margin collateral of a clearing participant or the collateral of its clients.</p>
<p><i>Criterion 3</i> CCP should design the transfer mechanisms so that they are highly likely to ensure transfer of the positions and collateral of the clients of a defaulting participant to one or more other participants</p>	Mostly observed	<p>The procedure for recognizing a clearing participant as insolvent is defined by the Clearing Rules. A separate trading and clearing account is opened for each client of a clearing participant, which records the positions of that client and its margin collateral. In case of a default by the clearing participant, the positions and margin collateral of its client are not involved in settlement of such default. The client can transfer margin collateral to accounts with another clearing participant</p>

<p><i>Criterion 4</i> CCP must publicly disclose its rules, policies and procedures regarding segregation and transferability of positions and related collateral of a participant's clients. In particular, CCP must publicly disclose whether a client's collateral is protected on an individual or omnibus basis. In addition, CCP must publicly disclose any legal or operational restrictions that may prevent it from segregating or transferring the positions and collateral of a participant's clients</p>	<p>Observed</p>	<p>The segregation mechanisms are established in the Clearing Rules that are subject to mandatory disclosure at the KACC's website. KACC discloses information regarding operational procedures, requirements and costs of segregation in the Clearing Rules. There are no legal restrictions other than those established in the Clearing Rules.</p>
<p>15. General commercial risk <i>FMI should identify, monitor and manage the general business risk and hold sufficient net liquid assets funded by equity to cover the potential general commercial losses in order to continue its operations and services as a going concern if such losses were to occur. In addition, the level of net liquid assets must always be sufficient to ensure restoration or orderly completion of critical operations and services.</i> Complies</p>		
<p><i>Criterion 1</i> FMI should have robust management and control systems to identify, monitor and manage the general commercial risks, including losses from inadequate implementation of business strategy, negative cash flows or unexpected and excessive operating expenses</p>	<p>Observed</p>	<p>KACC identifies the general commercial risk by analyzing the revenues and expenses incurred in the course of the organization's operations. In particular, general commercial risk may occur as a result of provision of unprofitable services and products. To monitor and reduce the general commercial risk:</p> <ul style="list-style-type: none"> ✓ KACC adheres to its development strategy, which is developed with participation of the Board of Directors' Budget and Strategic Planning Committee; ✓ when introducing new projects, income and expense analysis is carried out, business planning, control and analysis of the reasons for failure to implement the plan; ✓ in order to identify the potential impact of general commercial risks on the organization, KACC prepares a capital forecast and conducts a cash flow analysis, which is presented to KACC management for review
<p><i>Criterion 2</i> FMI should have net liquid assets funded by equity (such as common shares, open reserves or retained earnings) to enable it to</p>	<p>Observed</p>	<p>KACC risks are covered by the equity in accordance with the NBRK's regulatory requirements, including those reflecting the CPMI-IOSCO Principles for FMI. The calculation procedure is described in the relevant NBRK regulations.</p>

<p>continue operating and providing services on continuous basis in case of occurrence of general commercial losses. The amount of net liquid assets funded by FMI's equity should be determined by its risk profile and the length of time needed to ensure restoration or orderly completion of critical operations and services if such measures are taken.</p>		
<p><i>Criterion 3</i> FMI should have a viable plan for recovery or orderly liquidation and sufficient net liquid assets funded by equity to implement it. The amount of FMI's net liquid assets financed by the equity must be no less than the amount of current operating expenses for 6 months. These assets are in addition to the resources intended to cover a participant's default or other risks specified by the principles of financial resource management. At that, the capital formed in accordance with international risk-based standards may be included, where appropriate and feasible, in order to avoid duplication of capital sufficiency requirements</p>	<p>Observed</p>	<p>KACC has developed and approved a Business Recovery Plan (hereinafter, the Plan). The Plan was developed to define the measures to be taken in crisis situations, both related and unrelated to a default of clearing participants, with the aim of restoring the KACC's financial stability without state support and continuing to carry out critical activities after a significant deterioration of the financial position.</p> <p>KACC strives to comply with international standards introduced by regulatory acts of NBRK.</p> <p>According to regulatory requirements, KACC forms the KACC's allocated capital (Skin-in-the-game), the funds to cover the general risks and for orderly termination of activities, from the capital that, according to regulatory requirements, must cover all other risks. In addition, KACC regularly assesses the additional capital required to cover losses in case of stress</p>
<p><i>Criterion 4</i> Assets intended to cover general commercial risk should be of high quality and sufficiently liquid to allow FMI to cover its current and projected operating expenses under various scenarios, including adverse market situation</p>	<p>Observed</p>	<p>KACC's assets meet the liquidity and quality requirements contained in the regulatory legal acts of control and supervisory bodies and are distributed in such a way that they can be sold with minimal loss in price or without loss in price in an adverse market situation. KACC's assets are represented primarily by balances in correspondent accounts and investments in conservative financial instruments that meet the credit rating requirements of NBRK.</p> <p>KACC periodically monitors the quality and liquidity of assets, and the monitoring results are controlled by the ARDFM. KACC also conducts stress testing of liquidity risk, market risk and credit risk under several different scenarios. Additional information on KACC's stress testing is provided in Principles 4 and 7.</p>

<p><i>Criterion 5</i></p> <p>FMI should have a viable plan to raise additional capital in case its equity approaches or falls below the established minimum. This plan must be approved by the board of directors and updated regularly</p>	<p>Observed</p>	<p>Raising of additional financial resources is an integral part of efforts to ensure continuity and restoration of KACC's operations. Raising of additional financial resources is expected in case the level of sufficiency of own funds (capital) approaches the minimum values established by NBRK.</p> <p>The issue of raising the additional capital requires consideration by the KACC's Board of Directors.</p> <p>According to the KACC's Charter, the final decision on raising of additional capital is made by the shareholders based on proposals from the KACC's Board of Directors.</p> <p>In order to determine the measures that need to be taken in crisis situations, both related and not related to default of clearing participants, the KACC has developed and approved a Business Recovery Plan (hereinafter, the Recovery Plan).</p> <p>According to the Recovery Plan, early response indicators are used for early warning of a risk occurrence and to take preventive measures to reduce/eliminate the KACC's risk. To assess the KACC's liquidity/financial status, the following quantitative and qualitative assessments of values of early response indicators are adopted:</p> <ul style="list-style-type: none"> ✓ Green zone (stable level) ✓ Yellow zone (alarming level - threshold value) ✓ Red zone (critical level) <p>The KACC's Management Board, based on analysis of whether the early response indicators have reached the alarming (threshold) or critical level, may make one of the following decisions:</p> <ul style="list-style-type: none"> ✓ take no action; ✓ on approval of the Action Plan for a crisis situation based on early response indicators, containing measures provided in the Recovery Plan; ✓ on inclusion into the Crisis Action Plan of measures not specified in the Recovery Plan. <p>KACC, in accordance with the procedure established by the Rules for Clearing Activities as well as the Crisis Action Plan, uses the following funds/sources of financing to maintain/restore the activities:</p> <ul style="list-style-type: none"> ✓ funds (reserve and guarantee) for default settlement;
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		<ul style="list-style-type: none"> ✓ additional resources. <p>In case of an event related to default of clearing participants and/or occurrence of risks associated with the KACC's settlement infrastructure, the additional resources may be (used in priority order):</p> <ul style="list-style-type: none"> ✓ liquidity from the NBRK as part of default management; ✓ additional capitalization from the parent organization; ✓ other funding sources approved by the KACC's Board of Directors.
<p>16. Depository and investment risks</p> <p><i>FMI should protect its own assets and the assets of its participants and minimize the risk of loss and untimeliness of access to those assets. FMI should invest in instruments with minimal credit, market and liquidity risks.</i></p> <p>Complies</p>		
<p><i>Criterion 1</i></p> <p>FMI should keep its assets, including assets of its participants, in supervised and regulated organizations that have sound record-keeping practices, secure storage procedures and internal control systems ensuring that such assets are fully protected</p>	Observed	<p>KACC's assets are kept in accounts of the NBRK, the CD, local and foreign commercial banks. When selecting local and foreign commercial banks, KACC is guided by the following selection criteria:</p> <ul style="list-style-type: none"> ✓ second-tier banks of the Republic of Kazakhstan with a long-term rating of at least "B" on the international scale of Standard & Poor's or a rating of a similar level on the international scale of Fitch or Moody's Investors Service; ✓ international financial organization with a long-term rating of at least "BBB-" on the international scale of Standard & Poor's or a rating of a similar level on the international scale of Fitch or Moody's Investors Service; ✓ foreign correspondent banks with a long-term rating of at least "BBB-" on the international scale of Standard & Poor's or a rating of a similar level on the international scale of Fitch or Moody's Investors Service; ✓ non-resident banks with a long-term rating of at least "BBB-" on the international scale of Standard & Poor's or a rating of a similar level on the international scale of Fitch or Moody's Investors Service. <p>Additionally, for a number of the above-mentioned depositors, an investment limit is set to minimize the concentration risk</p>
<p><i>Criterion 2</i></p> <p>When necessary, FMI should have immediate access to its assets, including assets transferred to it by the participants</p>	Observed	<p>All assets, including securities, required for settlement following clearing, are kept in the clearing organization's accounts (exempt from claims by government agencies and courts) opened in the settlement organization under jurisdiction of the Republic of Kazakhstan. KACC has the right to</p>

		<p>dispose of all accounts that are used to carry out settlement following clearing.</p> <p>Access to funds in foreign currency in KACC's correspondent accounts in non-resident settlement banks is implemented in real time during a counterparty's operating day</p>
<p><i>Criterion 3</i></p> <p>FMI should assess and understand the risks it faces from the depository banks, taking into account the full range of its relations with each of them</p>	Observed	<p>KACC periodically assesses and monitors the credit risks in relation to all counterparties. The settlement depository for securities is the CD, a subsidiary of the major shareholder of the KACC's parent organization - the NBRK. In this regard, and also in view of the fact that CD does not include clients' assets in its own balance sheet, the credit assessment and credit risk monitoring is not carried out for the CD. In order to manage the concentration risk for depositories and settlement banks, KACC sets limits depending on their financial position. These limits are monitored in real time and reviewed periodically</p>
<p><i>Criterion 4</i></p> <p>FMI's investment strategy should be consistent with the general risk management strategy and fully disclosed by its participants, and investments should be secured by or consist of claims against highly reliable debtors. These FMI investments should provide the opportunity for rapid liquidation with minimal (or no) loss in price</p>	Observed	<p>KACC has developed an Asset Investment Policy (hereinafter, the Investment Policy) defining the main principles of KACC's investment strategy. The investment policy is agreed with the Risk Management Department and approved by the Board of Directors of KACC.</p> <p>Investment criteria are reflected in the Investment Policy and allow investments only in government bonds and financial instruments (correspondent accounts, deposits, repo transactions) that meet the KACC's credit rating requirements. KACC sets the limits depending on financial status of counterparties and issuers. These limits are monitored in real time and reviewed periodically.</p> <p>The limits are set for all counterparties and investment operations based on assessment of a counterparty's financial position and the specifics of impact of the operations on capital sufficiency. Structural limits have also been established, in particular with regard to investments in the banking sector.</p> <p>KACC invests funds only in highly liquid financial instruments, sets limits on the share of acquired securities, and monitors the projected liquidation period of the portfolio. In critical conditions of liquidity shortage, the securities portfolio may be transferred to the NBRK as part of a repo transaction</p>
<p>17. Operational risk</p> <p><i>FMI should identify potential sources of operational risk, both internal and external, and mitigate their impact through use of appropriate systems, policies, procedures and controls. The systems must provide a high degree of security and operational reliability and have sufficient scalable throughput. Business</i></p>		

continuity management should ensure timely restoration of operations and fulfilment of FMI's obligations, including in case of a widespread or significant operational disruption.

Complies

<p><i>Criterion 1</i> FMI should create a robust operational risk management system using appropriate systems, policies, procedures and controls to identify, monitor and manage the operational risks.</p>	<p>Observed</p>	<p>Operational risk management is carried out based on the KACC's Risk Management Policy and Risk Management Rules describing the methodology for identifying the possible sources of operational risks. The policy was developed taking into account the specifics of KACC's core activities, including its functions as a clearing organization and CCP for transactions concluded on the Exchange, as well as KACC's treasury operations. The KACC's operational risk management process includes not only the stage of identifying the operational risk events, but also analysis of the causes, the decision-making on risk mitigation measures with subsequent follow-up on completeness and sufficiency of the actions.</p> <p>The main sources of operational risks:</p> <ul style="list-style-type: none"> ✓ suboptimal, insufficient or ineffective processes and procedures; ✓ employee inefficiency (errors); ✓ system failures; ✓ adverse external factors (including fraud or emergencies). <p>According to provisions of the Risk Management Rules, KACC conducts continuous monitoring of key operational risk indicators. The monitoring system includes, among other things:</p> <ul style="list-style-type: none"> ✓ development and evaluation of effectiveness of the key risk indicators; ✓ collecting of information to calculate the key risk indicators; ✓ calculation and monitoring of current values of the key risk indicators; ✓ prompt response to critical values of the key risk indicators. <p>Loss events and key risk indicators are reported to the governing bodies on a regular basis.</p> <p>For identified operational risks, the measures are developed to mitigate them and their implementation is regularly monitored.</p> <p>Operational risk events are collected in accordance with the Risk Management Policy, the mitigation plans are developed, and monitoring is carried out on a regular basis.</p> <p>To ensure proper performance of the operational procedures, KACC uses:</p>
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		<ul style="list-style-type: none"> ✓ operating day regulations for clearing of transactions concluded in various exchange markets; ✓ monitoring the implementation of operational procedures by available means; ✓ applicable systems, policies and processes are periodically tested for compliance with requirements of control and supervisory authorities, international standards and principles. <p>Fraud prevention activities are carried out as part of the information security management system and include:</p> <ul style="list-style-type: none"> ✓ information leak prevention system; ✓ ranking of information by degree of confidentiality and secrecy; ✓ separation of employees' access rights to information and data. <p>In order to ensure reliability of clearing operations and minimize the operational risk, at the beginning of the mark-to-market clearing session, within the time established by the Regulations, the KACC reconciles the incoming balances of securities and cash reflected in the trading and clearing system with their balances for the previous day in the settlement organization.</p> <p>The reconciliation procedure is set out in internal regulatory documents and is a mandatory step before the settlement operations. In case any discrepancies are discovered, the established procedure for their resolution is applied.</p> <p>Implementation of the specified control mechanism ensures timely identification and elimination of operational inconsistencies, maintaining the integrity of accounting data and stable functioning of the clearing infrastructure according to requirements of Criterion 1 of Principle 17.</p>
<p><i>Criterion 2</i></p> <p>FMI's board of directors should clearly define the roles and responsibilities for operational risk management and approve the FMI's operational risk management framework. The controls, operating policies, procedures and practices should be reviewed, checked and</p>	<p>Observed</p>	<p>At KACC, operational risk management is under control of the KACC's Board of Directors. The Board of Directors approves the risk management system, including with regard to operational risks, the general principles of functioning of the main elements of this system, as well as internal documents on risk management in accordance with the Charter.</p> <p>According to requirements of the Charter and Risk Management Policy, the first level of competence is represented by the KACC's Board of Directors.</p>

<p>tested periodically, including after significant changes.</p>		<p>The Board of Directors periodically holds meetings devoted to KACC's risk management issues, including based on results of analysis of prepared data and information received during the reporting period, and is authorized to make decisions, including on revision and approval of the operational risk management system.</p> <p>The annual mandatory audit of financial statements also addresses the issues related to operational risk.</p>
<p><i>Criterion 3</i> FMI should have clearly defined operational reliability goals and apply principles aimed at achieving of these goals</p>	<p>Observed</p>	<p>KACC uses the following qualitative and quantitative goals as operational reliability goals:</p> <ul style="list-style-type: none"> ✓ risk appetite (maximum permissible values of risk indicators) for the purposes of limiting/controlling the risk when setting and achieving the operational reliability goals; ✓ key risk indicators (KRI). <p>The given coefficients largely reflect the level of reliability of the systems. Maintaining the coefficients at the established level requires adequate and uninterrupted functioning of all systems, which is determined by the current management system both in the area of IT infrastructure and within the supporting and maintenance units.</p> <p>The following documents have been developed, approved and introduced at KACC:</p> <ul style="list-style-type: none"> ✓ Risk management policy; ✓ Risk management rules; ✓ Business continuity management policy; ✓ Business continuity and recovery rules; ✓ Business continuity and recovery plan (joint with the Exchange); ✓ Business recovery plan; ✓ Risk register (updated once a year)
<p><i>Criterion 4</i> FMI should ensure sufficient scalable throughput to process increased operation volumes during periods of stress and to ensure provision of service at the established level</p>	<p>Observed</p>	<p>KACC leases the software and hardware complex from the Exchange. The KACC's risk management rules provide for obtaining of the clearing system stress testing results from the Exchange.</p> <p>The Exchange ensures sufficient performance and throughput in accordance with:</p> <ul style="list-style-type: none"> ✓ Procedure for planning the capacity of software and hardware of Kazakhstan Stock Exchange JSC;

		<ul style="list-style-type: none"> ✓ Regulations on reducing the load on information systems
<p><i>Criterion 5</i></p> <p>FMI should have a comprehensive physical and information security policy that addresses all potential vulnerabilities and threats</p>	Observed	<p>In accordance with the Republic of Kazakhstan's legislation, an information security management system has been created and is functioning, ensuring management of the risks of loss of confidentiality, integrity and availability of information, stability of provided services and internal business processes, as well as continuity of functioning and restoration of activities.</p> <p>KACC employs policies, processes and procedures enabling prompt discovery and elimination of potential risks and threats to physical and information security. To assess the security of systems, KACC aligns the security policies and protocols with the industry standards and conducts periodic independent assessment of vulnerabilities in the network infrastructure and security protocols (unauthorized access protection testing).</p> <p>KACC maintains interaction and cooperation with the industry information security center of the financial sector of the Republic of Kazakhstan to obtain timely information and assess the threats.</p> <p>Activities are being carried out to raise awareness among employees on information security issues. All KACC employees are guided by internal procedures to prevent problems that could compromise the confidentiality, integrity and continued operation of internal information systems.</p> <p>A number of internal documents regulating information and physical security issues have been developed and updated:</p> <ul style="list-style-type: none"> ✓ Network security policy. ✓ Backup policy. ✓ Access management policy. ✓ Requirements for a list of operations requiring mandatory authorization. ✓ List of operations in the information systems of KASE Clearing Centre JSC requiring mandatory authorization. ✓ Rules for organizing the physical protection. ✓ Rules for organizing the procedure for authentication and control of access to information systems. ✓ Rules for organizing the antivirus control, using of mobile devices, storage media, the Internet and e-mail. ✓ Rules of information security when working with suppliers.

		<ul style="list-style-type: none"> ✓ Rules for monitoring the events and managing the information security incidents. ✓ Rules for conducting an information security risk assessment and forming a list of critical information assets of the KASE Group. <p>Assessment of cybersecurity threats is carried out quarterly based on reports, security system logs and scan results requested from the Exchange.</p> <p>KACC's information security management system also complies with requirements of the international standard ISO/IEC 27001:2022, as confirmed by the valid certificate and results of supervisory audit in 2025.</p>
<p><i>Criterion 6</i></p> <p>FMI should have a business continuity plan that covers the events posing a significant risk of operational disruption, including events that could cause widespread or global disruptions. The plan must include the use of a backup facility and must be designed to ensure that critical information technology (IT) systems can resume operation within two hours of an operational disruption. The plan should provide for FMI the possibility to complete the settlement by the end of the day in case of operational disruption, even in extreme situations. FMI should regularly conduct testing of activities according to the plan</p>	<p>Observed</p>	<p>The following have been developed and approved in KACC:</p> <ul style="list-style-type: none"> ✓ Business continuity management policy; ✓ Business continuity and recovery rules; ✓ Business continuity and recovery plan (joint with the Exchange). <p>The business continuity management policy defines the basic operating principles and main components of the KACC's business continuity management system. The business continuity management policy specifies the critical processes, their acceptable downtime, and the target recovery time (for the settlement process, it is 2 hours and before the end of the working day, respectively).</p> <p>Business continuity and recovery rules describe the organization's business continuity management process and the structure of the business continuity and recovery plan.</p> <p>The business continuity plan defines the process for restoring the business processes in case of the widespread or global disruptions to normal operations.</p> <p>In accordance with the Business Continuity and Recovery Rules, an Analysis of impact from factors and events that may lead to interruption of KACC's processes is carried out. As part of this Analysis, a "List of KACC's critical activities (processes) and their restoration parameters" was formed and approved by the Board of Directors.</p> <p>The Business Continuity and Recovery Plan defines the IT Infrastructure Recovery Team and sets out the Team's key actions during a crisis, identifying the responsible persons.</p>

		<p>As part of the business continuity and recovery plan, the recovery plans for critical IT systems are created, defining the recovery period.</p> <p>In case of IT system failures, the data loss is minimized due to multiple forms of data copying and storage by the service provider. Appropriate business continuity plans will include the continuously tested backup systems ready for deployment at various offices. All clearing data is duplicated in various storage systems (hot, warm and cold systems). Monitoring of trading activity and functionality of hardware and software is carried out in real time.</p> <p>The business continuity and recovery plan regulates the procedures for restoring the critical activities defined in the Business Continuity Management Policy and the communications in case of disruptions in normal operations.</p> <p>KACC uses the Exchange's backup office and backup data processing centers in accordance with cooperation agreements. The requirements for backup office are based, among other things, on the NBRK requirements and contain a description of backup office's technical specifications and the minimum resources required to restore the critical processes.</p>
<p><i>Criterion 7</i></p> <p>FMI should identify, monitor and manage the risks posed to its operations by the key participants, other FMIs as well as service providers and utility services. In addition, FMI should identify, monitor and manage the risks its operations create for other FMIs.</p>	<p>Mostly observed</p>	<p>The KACC's main service providers are:</p> <p>The Exchange, the parent organization that provides software and hardware complex for use under the cooperation agreements;</p> <p>Central Securities Depository JSC (FMI);</p> <p>NPC JSC (FMI).</p> <p>Monitoring and management of risks of cooperation with FMI is carried out as part of the operational risk management process regulated by the Risk Management Policy and Rules.</p> <p>The Business Continuity Management Policy and the Business Continuity And Recovery Rules (hereinafter, the Rules) have been developed and approved. According to the Rules, in case of a disruption of KACC's normal operations, general notification of all interested parties is carried out in the manner established in the Business Continuity and Recovery Plan.</p>
<p>18. Access and participation requirements</p> <p><i>FMI should have objective, risk-based and publicly available criteria for participation that ensure fair and open access.</i></p> <p>Complies</p>		

<p><i>Criterion 1</i></p> <p>FMI should provide fair and open access to its services, including for direct and, if necessary, indirect participants and other FMIs based on reasonable participation requirements consistent with the risk</p>	<p>Observed</p>	<p>The following requirements are imposed on the clearing participants:</p> <ul style="list-style-type: none"> ✓ requirements for financial stability of a clearing participant; ✓ availability of a risk management system that is largely consistent with the IOSCO recommendations; ✓ availability of a license from an authorized body to carry out the type of activities corresponding to the market; ✓ documents confirming the legal capacity and reliability of a clearing participant; ✓ absence of sanctions restrictions; <p>The Regulations on Clearing Participants, among other things, set out the following requirements:</p> <ul style="list-style-type: none"> ✓ be registered as a legal entity in the Republic of Kazakhstan or meet the criteria established by decree of the Management Board of the Republic of Kazakhstan's Agency for Regulations and Supervision of the Financial Market and Financial Organizations "On requirements for foreign legal entities as well as participants of Astana International Financial Center for membership on the stock exchange" dated September 30, 2005, No. 360; ✓ have the valid licenses to conduct transactions with financial instruments, including foreign exchange operations, issued by the regulatory authority if such license is specified by the applicable legislation; ✓ have a valid license to carry out brokerage and/or dealer activities in the securities market, issued by the regulatory authority; ✓ be established in a state that has current status of a FATF member or a member of a regional group that is an associate member (observer) of FATF; ✓ not be registered as a legal entity in any of the offshore zones which list is defined in the Republic of Kazakhstan; ✓ have a risk management system that corresponds in its main part to the provisions on organization of risk management for broker-dealers of the securities market, recommended by IOSCO or established by relevant requirements of the Republic of Kazakhstan; ✓ maintain accounting records and prepare financial statements according to requirements of the Republic of Kazakhstan's legislation on accounting and financial statements or international financial reporting
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<p><i>Criterion 2</i></p> <p>FMI's participation requirements should be justified in terms of safety and effectiveness of FMI and the markets it services, should be tailored and proportionate to the FMI's specific risks and should be publicly disclosed. Subject to maintaining the acceptable risk control standards, FMI should seek to establish the requirements imposing minimal access restrictions in the current circumstances</p>	<p>Observed</p>	<p>Requirements for KACC's clearing participants cover the management of risks related to the CCP's activities, ensuring safety and effectiveness of markets. Many of the requirements for clearing participants are created taking into account the regulatory requirements that directly apply to clearing participants. For example, the requirement that clearing participants must maintain sound financial status and comply with strict anti-money laundering procedures reflects the public policy objective of the regulator's requirements for financial intermediaries to reduce the systemic risk and protect the interests of clients. The KACC's requirement to comply with these conditions is driven by the need to reduce the risks in clearing agreements and thus ensure reliability of the serviced markets. Additional requirements for clearing participants are driven by the need to make KACC a reliable and secure CCP.</p> <p>The same access criteria apply to clearing participants of the same category. Thus, in order to carry out client transactions, it is necessary to provide an appropriate license that allows to carry out transactions not on your own behalf (a brokerage license or a securities manager license). Requirements for financial stability indicators have been established for banking and non-banking organizations.</p> <p>There are differences in requirements for different types of clearing participants (banks, financial companies, non-residents) due to legislation and the specifics of the carried out business (for example, there are differences in composition of the requested reports).</p>

		Participation criteria, including participation restrictions, are regulated by the Regulations on Clearing Participants that are publicly available on the KACC's website.
<p><i>Criterion 3</i></p> <p>FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures ensuring suspension of participation and orderly exclusion of a participant that has violated or ceased to comply with the participation requirements.</p>	Observed	<p>Continuous monitoring of clearing participants' compliance with access criteria is carried out through monitoring of financial and non-financial information about a clearing participant, using information and analytical resources as well as internal specialized software systems.</p> <p>An internal database of monitoring history is maintained for clearing participants with a deteriorating risk profile, using the results of financial analysis (identifying the dynamics of financial indicators), internal information (from KACC units), and public information posted on information and analytical websites and in the media.</p> <p>In accordance with the Clearing Rules, KACC has the right to restrict services to a clearing participant that has violated or does not meet the established requirements, up to complete termination of clearing services.</p> <p>The grounds for applying such measures may include, in particular, failure to fulfill obligations, revocation of a license, violation of mandatory operating standards, unprofitability of operations and other signs of a persistent deterioration in financial condition. The procedures and order of interaction between the units in implementation and restriction of access to clearing services are defined by KACC's internal documents.</p> <p>Participation criteria, including participation restrictions, are regulated by the Clearing Rules that are publicly available on the KACC's website.</p>
<p>19. Multi-level participation structure</p> <p><i>FMI should identify, monitor and manage the material risks posed to FMI by the multi-level participation structure.</i></p> <p>Currently, only professional participants of the securities market can act as clearing participants. According to the clearing service agreement, a multi-level participation structure is not provided.</p> <p>The principle is not applicable</p>		
<p>20. FMI links</p> <p><i>FMI that establishes links with one or more FMIs should identify, monitor and manage the risks created by these links.</i></p> <p>Complies</p> <p>Criteria 3-9 are not applicable for KACC.</p>		

<p><i>Criterion 1</i></p> <p>Before establishing the links, and on an ongoing basis after a link is established, FMI should identify, monitor and manage all potential risk sources arising from establishment of links. Linkage arrangements should be designed to enable each FMI to comply with the other principles set out in this report</p>	<p>Observed</p>	<p>KACC interacts with the CD that carries out settlement on securities and cash following clearing and provision of services by the central depository in accordance with local legislation and agreements.</p> <p>KACC interacts with the Exchange and carries out clearing and settlement for transactions concluded on the Exchange in accordance with local legislation and agreements</p>
<p><i>Criterion 2</i></p> <p>In all relevant jurisdictions, the link should have a sound legal basis that supports its structure and provides adequate protection for the linked FMIs</p>	<p>Observed</p>	<p>Interaction with the CD and the Exchange is carried out based on interaction agreements (contracts).</p> <p>Agreements (contracts) provide for liability of the parties for improper performance of obligations</p>
<p><i>Criterion 3</i></p> <p>Linked CDs must assess, monitor and manage the credit and liquidity risks they create for each other. Loans provided to each other by the CD must be fully secured by high-quality collateral and subject to established limits</p>	<p>Not applicable</p>	<p>Not applicable to KACC.</p> <p>KACC does not perform the functions of a central depository</p>
<p><i>Criterion 4</i></p> <p>Pre-transfers of securities between linked CDs should be prohibited or, at the least, reverse transfer of pre-transferred securities should be prohibited until the first transfer becomes final</p>	<p>Not applicable</p>	<p>Not applicable to KACC.</p> <p>KACC does not perform the functions of a central depository</p>
<p><i>Criterion 5</i></p> <p>An investor's CD should establish a link with an issuer's CD only if such an arrangement ensures a high level of protection of rights of the investor's CD participants</p>	<p>Not applicable</p>	<p>Not applicable to KACC.</p> <p>KACC does not perform the functions of a central depository</p>
<p><i>Criterion 6</i></p>	<p>Not applicable</p>	<p>Not applicable to KACC.</p>

An investor's CD that uses an intermediary services to establish link with an issuer's CD must measure, monitor and manage the additional risks (including depository, credit, legal and operational risks) created by involvement of an intermediary		KACC does not perform the functions of a central depository
<i>Criterion 7</i> Before establishing a link with another CCP, the CCP must identify and ensure management of potential effects of a default by the linked CCP. If a link is established between three or more CCPs, each CCP must identify, assess and manage the risks of the collective link structure	Not applicable	Not applicable to KACC. KACC does not plan to establish links with other CCPs at this stage
<i>Criterion 8</i> Each CCP in the linked structure must be able to cover, at least on a daily basis, its current and potential future risks created by the linked CCP and its participants (if any) in full and with a high degree of confidence, without reducing the CCP's ability to fulfill its obligations to its own participants at any time	Not applicable	Not applicable to KACC. KACC does not plan to establish links with other CCPs at this stage
<i>Criterion 9</i> The trade repository must carefully assess the additional operational risks posed by its links to ensure the scalability and reliability of IT technologies and associated resources	Not applicable	Not applicable to KACC. KACC does not perform the functions of a trade repository
21. Efficiency and effectiveness <i>FMI should ensure that requirements of the participants it services are met efficiently and effectively.</i> Complies		
<i>Criterion 1</i> FMI's operations should be designed to take into account the needs of its participants and markets it services; in particular, with respect	Observed	Discussion of the needs of clearing participants occurs in working groups, including those consisting of the market participants, as well as meetings held with clearing participants when introducing new technologies, rules, procedures, products and services. Additionally, there are quarterly meetings

to choice of clearing and settlement scheme, operational structure, range of products cleared, settled or recorded, and use of technology and procedures		held with the clearing participants to discuss innovations and proposals from clearing participants on optimization of KACC's activities. Assessment of compliance with the needs of clearing participants is carried out as part of the existing feedback procedure.
<i>Criterion 2</i> FMI should have clearly defined goals and objectives that are measurable and achievable, for example, in relation to minimum target service levels, risk management and business priorities	Observed	The goals and objectives of KACC are described in the Work Plan approved by the KACC's Management Board on an annual basis. All goals are measurable and achievable. Key goals: improving the risk management, optimizing and harmonizing the business processes based on an improved IT platform. Annually, the KACC's Management Board evaluates the level of achievement of set goals and fulfillment of set objectives
<i>Criterion 3</i> FMI should have established mechanisms for regular review of efficiency and effectiveness	Observed	On a quarterly basis, KACC submits to the Board of Directors a Report on the main activity areas of KASE Clearing Centre JSC and on the progress of implementing the Development Strategy of Kazakhstan Stock Exchange JSC and KASE Clearing Centre JSC. The Management Board reviews the KACC's Work Plan Implementation Report on a semi-annual basis.
<p>22. Messaging procedures and standards <i>FMI should use or, at the least, ensure interoperability with international messaging procedures and standards to ensure efficient payments, clearing, settlement and accounting.</i> Complies</p>		
<i>Criterion 1</i> FMI should use or, at the least, ensure interoperability with international messaging procedures and standards	Observed	When making settlement and payments, KACC uses the international SWIFT system. KACC uses SWIFT standards when transmitting messages. In terms of IT interaction, KACC's systems also use SWIFT standards.
<p>23. Disclosure of rules, main procedures and market data <i>FMI should have clearly stated, comprehensive rules and procedures and provide sufficient information to ensure that participants clearly understand the risks, fees and other material costs associated with participating in FMI. All relevant rules and main procedures must be disclosed publicly.</i> Complies</p>		
<i>Criterion 1</i> FMI should adopt clearly stated comprehensive rules and procedures that are	Observed	Disclosure is carried out in cases specified by current legislation. The documents regulating the rules and procedures include the Clearing Rules, clearing regulations, forms used in document flow with clearing

<p>fully disclosed to the participants. The relevant rules and main procedures must be publicly disclosed</p>		<p>participants and approved by the governing bodies of KACC. These documents are freely available on the KACC's website.</p> <p>The KACC's clearing rules are published on the website. The relevant rules and procedures are fully available to all clearing participants and stakeholders, including the public. KACC employees are available to answer questions from clearing participants regarding the Clearing Rules and procedures.</p>
<p><i>Criterion 2</i></p> <p>FMI should publicly disclose the clearly articulated descriptions of the system's structure and operations, as well as the rights and obligations of FMI and the participants, in a manner that enables participants to assess the risks associated with participating in FMI.</p>	<p>Observed</p>	<p>KACC discloses information in cases specified by current legislation.</p> <p>The recipients of information include KACC clients, including clearing participants, KACC shareholders, supervisory and regulatory authorities, potential investors, members of the Board of Directors, professional participants in the securities market, the media and other persons.</p> <p>In particular, information on the risk management system, documents regulating operation of this system, as well as other relevant decisions of the KACC's governing bodies are subject to disclosure or provision.</p> <p>The procedure and actions taken by KACC during clearing activities are described in the Clearing Rules posted on the KACC's website.</p> <p>The Clearing Rules establish the possibilities for making key decisions affecting the KACC's operation</p>
<p><i>Criterion 3</i></p> <p>FMI should provide all necessary and appropriate documentation and training to help participants understand the FMI's rules and procedures and the risks they face as a result of participating in the FMI</p>	<p>Observed</p>	<p>As part of launching a new project, informational mailings are sent to the clearing participants, and information (instructions) are posted on the KACC's website, consultations and explanation of innovations are provided as part of collective and individual meetings, conference calls, as well as explanation of actions that clearing participants must take for further correct work.</p> <p>To ensure that clearing participants understand the rules and procedures, KACC posts on its website on the Internet the information materials explaining the KACC's rules and procedures.</p> <p>In case any actions are required from a clearing participant, KACC verifies and records the correctness and timeliness of these actions by all clearing participants.</p> <p>In case a clearing participant is identified whose behavior demonstrates a lack of understanding of the KACC's rules and procedures, KACC conducts consultations with such clearing participant, based on which results the information materials posted on the website are amended.</p>

<p><i>Criterion 4</i> FMI should publicly disclose the fees for individual services it offers and its discount policies. FMI should provide a detailed description of the services provided on a fee basis for comparison purposes</p>	<p>Observed</p>	<p>KACC tariffs for provided services are posted on the KACC's website</p>
<p><i>Criterion 5</i> FMI should regularly complete and publicly disclose responses in accordance with the CCP-IOSCO Disclosure Principles for Financial Market Infrastructures. FMI should also, at the least, disclose the basic data on volume and number of transactions</p>	<p>Observed</p>	<p>KACC publicly discloses quantitative information on its website, including:</p> <ul style="list-style-type: none"> ✓ on settlement prices used for revaluation of assets; ✓ on current risk parameters used to calculate collateral requirements; ✓ on volumes of transactions accepted for clearing services; ✓ statistical information (PQD) as part of monitoring the compliance with CPMI-IOSCO PFMI requirements. <p>In addition, KACC publicly discloses a significant amount of information, including:</p> <ul style="list-style-type: none"> ✓ description of provided services/products; ✓ description of risk management system; ✓ requirements for clearing participants; ✓ basic information on the policy of placing own funds and collateral of clearing participants; ✓ corporate governance.
<p>24. Disclosure of market data by trade repositories <i>Trade repository must ensure that data is made available to relevant competent bodies and the public in a timely and accurate manner in accordance with their needs.</i> <i>KACC does not perform the functions of a trade repository.</i> The principle is not applicable</p>		