

# **KASE CLEARING CENTRE JSC**

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## **REPORT**

### **on KASE Clearing Centre JSC's compliance with the IOSCO Principles for Financial Market Infrastructures**

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city of Almaty

2024

## **1. Introduction**

The document "Principles for Financial Market Infrastructures", published by the International Organization of Securities Commissions (IOSCO) and the Committee on Payment and Settlement Systems (CPSS) on April 12, 2012 (hereinafter – the "Principles"), presents a core set of Principles for Financial Market Infrastructures. These Principles establish rules to be followed by entities acting as central counterparties, trade repositories, central securities depositories, securities settlement systems, and payment systems (hereinafter referred to as FMIs).

The IOSCO and the CPSS work together to coordinate their efforts in developing and implementing international standards and principles for clearing, settlement, and reporting mechanisms for FMIs. The IOSCO principles are designed to help ensure the safety, efficiency, and soundness of the FMIs that support global financial markets, and their full, timely, and consistent implementation is therefore fundamental.

In accordance with the requirements of the IOSCO Principles, FMIs are required to annually disclose information on their compliance with these Principles. This document (hereinafter – the Compliance Assessment) is a report on the compliance of KASE Clearing Centre JSC (hereinafter – KACC) with the IOSCO Principles with respect to its central counterparty (CCP) and clearing and settlement functions for financial instruments.

## **2. Description of the FMI**

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

The main activities of KACC are clearing transactions with financial instruments and implementing certain types of banking operations. KACC also acts as the CCP.

KACC provides clearing services under the license issued by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (hereinafter – the ARDFM, the authorized body) in 2023. Currently, KACC is the only organization carrying out clearing activities within the framework of the legislation of the Republic of Kazakhstan and providing CCP services on the stock market.

Acting as the CCP, KACC assumes the risks of clearing participants' failure to fulfill their obligations and simultaneously guarantees the fulfillment of its obligations to each conscientious clearing participant. This allows clearing participants to assess risks solely at the CCP when concluding transactions, thereby mitigating counterparty credit risk.

The CCP's risk management system, which uses a uniform approach to risk assessment across all exchange 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 as follows:

- reducing potential losses by limiting the level of risks taken in all segments of the financial market;
- ensuring the sufficiency of funds to cover potential losses through accumulated financial resources, including own funds, individual clearing collateral, collective clearing collateral and other collateral;
- ensuring the reliable functioning of the exchange trading, clearing and settlement system, including through the timely identification of risks and measures for prompt and adequate response to risk events.

The main and fundamental function of KACC is to ensure the maintenance of stability in the serviced segments of the financial market through the implementation of a modern risk management system that meets international standards and to provide participants with clearing services that allow them to effectively use the funds being sent to the market.

KACC's partially pre-collateralized clearing services and netting of claims and liabilities enable clearing participants to improve the efficiency of using their financial assets and reduce transaction costs.

The strategic objective of KACC is to provide participants in various segments of the financial market with integrated clearing services, which involve the use of a single collateral and the maintenance of uniform positions (limits) of participants in the process of their servicing on all exchange markets.

Control and supervision of the financial market and financial organizations, as well as financial legislation of the Republic of Kazakhstan, are carried out by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (ARDFM) and the National Bank of the Republic of Kazakhstan (hereinafter – the control and surveillance authorities) within their respective competence. KACC's activities are based on the legislation of the Republic of Kazakhstan, in particular the laws "On the Securities Market", "On Joint-Stock Companies", "On Banks and Banking Activities in the Republic of Kazakhstan", and the regulatory legal acts of the National Bank of the Republic of Kazakhstan (hereinafter – the NBRK) and the ARDFM.

### **Key performance indicators**

KACC provides services to 42 clearing participants in the stock market.

Net clearing is carried out for 281 financial instruments (financial instruments included in the T+ list).

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

KACC carries out clearing activities with or without the performance of the CCP function in accordance with the concluded contracts (agreements) determining the procedure and conditions for interaction when organizing trading on KASE.

1. IOSCO Principles

IOSCO principle	Correspondence	Description
<p><b>1. Legal basis</b>  <i>An FMI must have a sound, clearly articulated, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</i>  <b>Compliant</b>  <b>Criterion 5 of the Principle is not applicable</b></p>		
<p><i>Criterion 1</i>  The legal framework must provide a high degree of certainty on each material aspect of the FMI's activities in all relevant jurisdictions.</p>	<p>Fulfilled</p>	<p>Activities of the Clearing Centre are subject to the applicable law of the Republic of Kazakhstan.</p> <p>The legal basis for clearing activities and activities of the central counterparty is the Law of the Republic of Kazakhstan dated 02.07.2003 No. 461- II "On the Securities Market" (hereinafter – the Securities Market Act) and the relevant regulatory legal acts of the control and surveillance bodies on clearing activities and the central counterparty, in particular:</p> <ul style="list-style-type: none"> <li>– Resolution No. 254 of the Board of the National Bank of the Republic of Kazakhstan dated October 29, 2018 "On approval of the Rules for execution of clearing activities for transactions with financial instruments";</li> <li>– Resolution No. 59 of the Board of the National Bank of the Republic of Kazakhstan dated February 24, 2012 "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";</li> <li>– Resolution No. 11 of the Board of the National Bank of the Republic of Kazakhstan dated January 28, 2016 "On approval of the Requirements for the central counterparty's risk management system, conditions and procedures for monitoring, control and management of the central counterparty risks".</li> </ul> <p>In accordance with Article 77-1 of the Securities Market Act:</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- 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.</li> </ul>

		<p>In accordance with Article 77-2 of the Securities Market Act, the functions of the clearing organizations are:</p> <ol style="list-style-type: none"> <li>1) receiving and processing information on concluded transactions, its verification and adjustment in accordance with the internal documents of the clearing organization;</li> <li>2) taking into account the parameters of concluded transactions, information on their confirmation, full or partial execution or non-execution;</li> <li>3) determination of the 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 transactions with financial instruments;</li> <li>4) preparation and transmission of orders based on the results of clearing activities of the settlement organization;</li> <li>5) in the event that the clearing organization performs the functions of the central counterparty, issue clearing participation certificates;</li> <li>6) other functions provided for by the legislation of the Republic of Kazakhstan and internal documents of the clearing organization.</li> </ol> <p>In the event that the Clearing Centre opens bank accounts in foreign banks (settlement organizations) outside the territory of the Republic of Kazakhstan, the requirements of the legislation of the country where the Clearing Centre is located shall apply to contractual relations with such organizations, unless the agreement between the Clearing Centre and the foreign bank provides otherwise (USA, EU, Russian Federation and other relevant jurisdictions).</p> <p>KACC interacts with the authorized body and the National Bank of the Republic of Kazakhstan (hereinafter – the control and surveillance bodies), and other government bodies in order to ensure a high degree of legal certainty in regulatory acts in every significant aspect of KACC's activities.</p> <p>In the Rules for execution of clearing activities for transactions with financial instruments (hereinafter – the Clearing Rules) conditions for execution of clearing activities and functions of the CCP have been established for KACC in accordance with the legislation of the Republic of Kazakhstan.</p> <p>KACC carries out the CCP functions on the stock market.</p>
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		<p>KACC carries out its activities on the basis of the following internal documents:</p> <p>In terms of the Clearing House's activities:</p> <ol style="list-style-type: none"> <li>1) Regulations for conducting clearing sessions for transactions with the central counterparty;</li> <li>2) The procedure for opening, maintaining and closing clearing accounts, trading and clearing accounts of KASE Clearing Centre JSC on the stock market;</li> <li>3) Instructions for the issue, placement, circulation and redemption of clearing participation certificates;</li> <li>4) Rules for execution of clearing activities for transactions with financial instruments;</li> <li>5) Regulations on clearing participants;</li> <li>6) Methodology for determining the settlement prices of securities;</li> <li>7) Methodology for determining the size of clearing funds;</li> <li>8) Methodology for determining risk parameters of financial instruments;</li> <li>9) Regulation on clearing fees and penalties;</li> <li>10) The procedure for including financial instruments in the T+ List and the T+ Collateral List;</li> <li>11) Rules for the provision of services for the acceptance, accounting and control of collateral in the system for ensuring the completion of settlements in the interbank payment card system</li> </ol>
<p><i>Criterion 2</i></p> <p>An FMI must have rules, procedures, and contracts that are clearly stated, understandable, and consistent with applicable laws and regulations.</p>	<p>Fulfilled</p>	<p>The Clearing Rules undergo a review process with the key divisions of KACC and KASE, including the Trading Department, the Settlement Chamber, the Legal Unit, the Central Depository, and clearing participants. They are then approved by the Board of Directors, which includes independent experts and representatives of regulatory and surveillance authorities. This review process is aimed at ensuring transparency and maximum certainty in the procedures described in the Clearing Rules, as well as compliance with the requirements of the legislation of the Republic of Kazakhstan, key trends in financial market development, and the needs of market participants.</p> <p><i>An open offer mechanism</i> is applied to transactions with the CCP, which is a method of fulfilling contractual obligations under concluded transactions through the automatic inclusion of the CCP in the transaction.</p>

		<p>Thus, after the conclusion of a transaction, KACC, performing the functions of the CCP, 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, through its actions, to create obligations for clearing participants, including the acceptance and fulfillment by a clearing participant of obligations under all transactions (including transactions as a result of novation) concluded on its behalf by KACC as part of the implementation of default resolution procedures in accordance with the Clearing Rules and KACC's other internal documents.</p> <p>When joining the Clearing Services Agreement by signing the Application for assignment of the status of a clearing participant and joining the clearing services agreement, the clearing participant agrees to all the terms and conditions of KACC's 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>An FMI must be able to clearly and understandably articulate the legal basis for its activities to relevant competent authorities, participants, and, where appropriate, participants' customers.</p>	Fulfilled	<p>KACC operates under the laws of the Republic of Kazakhstan, its charter, and internal documents defining the legal basis for its activities. The terms of clearing services contracts with clearing participants are defined in the Clearing Rules and the Regulation on Clearing Participants. These documents are publicly available on KACC's website.</p>
<p><i>Criterion 4</i></p> <p>An FMI must 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 applied retroactively.</p>	Fulfilled	<p>Reflection in the internal documents of KACC, including the Clearing Rules, in accordance with the legislation of the Republic of Kazakhstan, regulatory legal acts of control and supervisory authorities, as a result, the reduction in the risk of recognition of KACC actions in accordance with these rules as invalid (retroactive/suspended) / recognition of agreements as invalid is ensured through a legal examination of the documents by the legal department of KACC and representatives of the control and surveillance authorities.</p> <p>In accordance with item 2 of Article 77-3 of the Securities Market Act, the relationship between a clearing organization and entities using the services of a clearing organization is determined by the Rules of the clearing organization.</p>
<p><i>Criterion 5</i></p>	Not applicable	<p>Not applicable to KACC.</p> <p>KACC operates in the territory of the Republic of Kazakhstan.</p>

<p>An FMI operating in multiple jurisdictions must identify and mitigate risks arising from potential conflicts of law between jurisdictions.</p>		
<p><b>2. Governance</b>  <i>An FMI must have a clear and transparent governance framework that ensures the safety and efficiency of the FMI, as well as the stability of the financial system more broadly, other aspects of public interest, and the achievement of stakeholders' objectives.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i>  An FMI must have objectives that prioritize the safety and efficiency of the FMI and explicitly support financial stability and other matters of public interest.</p>	<p>Fulfilled</p>	<p>The Clearing Centre's security and efficiency are ensured by compliance with the authorized body's requirements for the organizational structure, risk management system, software and hardware suite, and other specific aspects of the clearing and settlement organization's operations. The Clearing Centre is also guided by its own risk management and business continuity policies and rules, which, in particular, provide for the use of KASE's backup center to ensure the uninterrupted execution of trading and post-trade procedures.</p> <p>The conditions and procedure for the functioning of KASE's (corporate) governance system, the competence, duties and responsibilities of its bodies are determined by the Law of the Republic of Kazakhstan "On Joint-Stock Companies", the Securities Market Act, the Resolution No. 11 of the Board of the NBRK dated January 28, 2016 "On Approval of the Requirements for the Central Counterparty's Risk Management System, the Conditions and Procedure for Monitoring, Control and Management of Central Counterparty Risks", the Resolution No. 59 of the Board of the NBRK dated February 24, 2012 "On Approval of the Requirements for the Risk Management System of a Clearing Organization, the Conditions and Procedure for Monitoring, Control and Management of Risks in a Clearing Organization", the Charter of KACC, the Corporate Governance Code, the Conflict of Interest Management Policy, the provisions on the bodies and committees of KACC (<a href="http://www.kase.kz/ru/corporate_documents">http://www.kase.kz/ru/corporate_documents</a>), as well as an individual agreement with the members of the Board of Directors of the Exchange.</p> <p>On December 3, 2021, the Exchange's Board of Directors approved the Strategy for 2022-2024, which provides for the following areas of Exchange development: increasing liquidity in exchange markets by expanding the range of financial instruments and services, establishing trading and clearing links with partner exchanges, and expanding the range of issuers and</p>

		investors; developing the central counterparty as a key infrastructure element; modernizing external and internal infrastructure and introducing innovations; and increasing the Exchange's value for stakeholders.
<p><i>Criterion 2</i></p> <p>FMI must have documented governance agreements that clearly and explicitly define responsibilities and accountability. These agreements should be disclosed to owners, relevant competent authorities, participants, and, more broadly, the public.</p>	Fulfilled	<p>The organizational structure of KACC is a functional structure, with divisions organized according to the functions they perform (clearing, settlements, etc.). Members of the Management Board oversee these divisions. KACC's organizational structure is largely determined by the requirements of Kazakhstan's legislation for the organizational structure of a clearing organization and central counterparty.</p> <p>According to the Law of the Republic of Kazakhstan "On Joint-Stock Companies" (hereinafter – the JSC Act), the Resolution No. 11 of the Board of the National Bank of the Republic of Kazakhstan dated January 28, 2016 "On Approval of the Requirements for the Central Counterparty's Risk Management System, the Conditions and Procedure for Monitoring, Control and Management of Central Counterparty Risks", the Resolution No. 59 of the Board of the National Bank of the Republic of Kazakhstan dated February 24, 2012 "On Approval of the Requirements for the Risk Management System of a Clearing Organization, the Conditions and Procedure for Monitoring, Control and Management of Risks in a Clearing Organization" and the Charter of KACC, the management structure of KACC consists of the supreme body, which is the general meeting of shareholders, the management body – the Board of Directors and the executive body – the Management Board. The principles of KACC governance are described in the Corporate Governance Code, published on KACC's website.</p> <p>The Board of Directors, the Management Board, and the Chairman of the Exchange's Management Board act on the basis of the Exchange's Charter. The competencies of the Board of Directors, the Management Board, and the Chairman of the Management Board are defined in accordance with the Joint-Stock Companies Act, the Charter, and the regulations of the relevant bodies of the Clearing Centre.</p> <p>The Charter of the Clearing Centre, which sets out the division of powers among the governing bodies, is posted on KACC's website for public use.</p> <p>The Board of Directors carries out its activities in accordance with the Regulation on the Board of Directors, which reflects the rights, duties and responsibilities of the members of the Board of Directors during the performance of their functions.</p>

		<p>The Clearing Centre's Management Board operates on the basis of the Regulation on the Clearing Centre's Management Board, which establishes, in particular, the procedure for making decisions by the Management Board, the rights and obligations of the members of the Management Board, as well as other issues related to activities of the Management Board.</p> <p>Shareholders of the Exchange are provided with access to information in accordance with the current legislation of the Republic of Kazakhstan.</p> <p>Additionally, in accordance with current legislation, the Clearing Centre discloses its financial statements and other information about its activities that is material to clearing participants and other interested parties on its website, <a href="http://www.kase.kz">www.kase.kz</a>. Furthermore, the Exchange sends clearing participants reports on clearing results, holds meetings with clearing participants, and interacts with them through various communication channels.</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 to shareholders, 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 <a href="http://www.kase.kz">www.kase.kz</a>. The Exchange also discloses information through the media. Each significant event or action by the Exchange is accompanied by a press release distributed to the media.</p>
<p><i>Criterion 3</i></p> <p>The roles and responsibilities of the FMI's board of directors (or other similar governing body) should be clearly defined; documented procedures governing its activities should be adopted, including procedures for identifying, resolving, and managing conflicts of interest among members. The board of directors should regularly review activities of the board as a whole and the performance of individual board members.</p>	<p>Fulfilled</p>	<p>The Clearing Centre's Board of Directors exercises general management of the Clearing Centre's activities, with the exception of matters assigned by the JSC Act to the General Meeting of Shareholders. The rights, responsibilities, and competencies of the Board of Directors are defined by the Regulation on the Board of Directors and KACC's Charter.</p> <p>The Board of Directors' responsibilities include, in particular:</p> <ul style="list-style-type: none"> <li>✓ determination of priority areas of activity of the Clearing Centre and the strategy for its development or approval of the development plan of the Clearing Centre in cases stipulated by the legislative acts of the Republic of Kazakhstan;</li> <li>✓ approval of the plan of the main works of the Clearing Centre and/or performance indicators (hereinafter – the scorecard), monitoring and analysis of implementation, assessment of the implementation of the</li> </ul>

		<p>plan of the main works of the Clearing Centre and/or scorecard, as well as review of reports on their implementation;</p> <ul style="list-style-type: none"> <li>✓ convening the annual and extraordinary general meeting of shareholders, drawing up its agenda, determining the form of holding the general meeting of shareholders (with the holding of a meeting of the general meeting of 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 shareholders of the Clearing Centre entitled to participate in the general meeting of shareholders, establishing the date and time for holding a repeat general meeting of shareholders instead of the one that failed;</li> <li>✓ issue of shares of the Clearing Centre or the sale by the Clearing Centre of shares repurchased by it, including the determination of the number of shares of the Clearing Centre to be issued (sold), within the limits of the number of authorized shares, the method and price of their offering (sale);</li> <li>✓ redemption by the Clearing Centre of previously issued shares or other securities, determination of the price for their redemption;</li> <li>✓ preliminary approval of the annual financial statements of the Clearing Centre;</li> <li>✓ approval of the regulation (regulations) on the committees of the Board of Directors, as well as approval of changes and/or additions to these regulations;</li> <li>✓ determining the terms of issue of bonds and derivative securities of the Clearing Centre, as well as making decisions on their issue;</li> <li>✓ election of members of the committees of the Board of Directors, including experts, and determination of the terms of their powers; early termination of the powers of members of the committees of the Board of Directors, including experts; determination of the amounts and conditions of payment of remuneration to experts – members of the committees of the Board of Directors;</li> <li>✓ determination of the number of members and the term of office of the Management Board, the election of the Chairman of the Management Board and other members of the Management Board, as well as the early termination of their powers; determination of the amounts of salaries and</li> </ul>
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		<p>the terms of remuneration and bonuses for the Chairman of the Management Board and other members of the Management Board;</p> <ul style="list-style-type: none"> <li>✓ determination of the quantitative composition and term of office of the Internal Audit Service of the Clearing Centre, appointment of the head and members of the Internal Audit Service of the Clearing Centre, as well as early termination of their powers; determination of the operating procedures of the Internal Audit Service of the Clearing Centre, the amount and conditions of remuneration and bonuses for employees of the Internal Audit Service of the Clearing Centre;</li> <li>✓ appointment and determination of the term of office of the corporate secretary of the Clearing Centre, early termination of his powers, as well as determination of the amount of the official salary and terms of remuneration of the corporate secretary of the Clearing Centre;</li> <li>✓ determination of the amount of payment for the services of an audit organization for the audit of the financial statements of the Clearing Centre, as well as for an appraiser to assess the market value of property transferred in payment for shares of the Clearing Centre or which is the subject of a major transaction;</li> <li>✓ approval of documents governing the internal activities of the Clearing Centre (with the exception of documents adopted by the Management Board for the purpose of organizing the activities of the Clearing Centre, which are under the jurisdiction of the Management Board), including an internal document establishing the terms and procedure for holding auctions for the placement of securities of the Clearing Centre and subscriptions to securities of the Clearing Centre, as well as changes and/or additions to these documents;</li> <li>✓ creation and closure of branches and representative offices of the Clearing Centre, approval of regulations on branches and representative offices of the Clearing Centre, as well as changes and/or additions to these regulations;</li> <li>✓ the acquisition (alienation) by the Clearing Centre of shares (stakes in the authorized capital) of another legal entity in an amount amounting to 10 percent or more of the total number of outstanding shares of this entity (stakes in the authorized capital) of this entity;</li> <li>✓ issues related to the competence of the general meeting of shareholders (participants) of a legal entity, the shares (stakes in the authorized capital) of which belong to the Clearing Centre in an amount equal to 10</li> </ul>
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		<p>percent or more of the total number of outstanding shares of this entity (stakes in the authorized capital) of this entity</p> <ul style="list-style-type: none"> <li>✓ an increase in the liabilities of the Clearing Centre by an amount equal to 10 percent or more of the amount of the Clearing Centre's equity capital;</li> <li>✓ determination of information about the Clearing Centre or its activities that constitutes an official, commercial or other secret protected by law;</li> <li>✓ conclusion of major transactions and interested party transactions by the Clearing Centre, with the exception of major transactions, the decision on the conclusion of which is taken by the general meeting of shareholders of the Clearing Centre in accordance with subparagraph 20) of paragraph 2 of Article 15 of the Charter of the Clearing Centre and other provisions of the legislation of the Republic of Kazakhstan on joint-stock companies;</li> <li>✓ approval of the budget policy, risk management policy, accounting, tax accounting and other policies;</li> <li>✓ approval of annual budgets of the Clearing Centre, as well as changes and/or additions to these budgets;</li> <li>✓ approval of the regulations of the Board of Directors, as well as changes and/or additions to these regulations;</li> <li>✓ determination of the amounts, procedure and terms of payment of fees, charges and other sums collected by the Clearing Centre in the course of carrying out its activities (with the exception of the amounts, procedure and terms of payment of fees and other sums determined by the Management Board in payment for one-time or additional, not general use, services of the Clearing Centre);</li> <li>✓ approval of rules for the procurement of goods, jobs and services;</li> <li>✓ approval of the business plan of the Clearing Centre, monitoring its implementation and execution;</li> <li>✓ determination of the total (maximum) staffing level of the Clearing Centre employees, approval of the organizational structure of the Clearing Centre;</li> <li>✓ determination of the total (maximum) number of individuals involved in the provision of services under civil law contracts;</li> <li>✓ approval of key performance indicators for the Chairman and members of the Clearing Centre's Management Board, their target and actual</li> </ul>
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		<p>values, key performance indicators of the Internal Audit Service, the Corporate Secretary, and the Compliance Service (if any) of the Clearing Centre;</p> <ul style="list-style-type: none"> <li>✓ making decisions stipulated by internal documents approved by the Board of Directors and/or the general meeting of shareholders (sole shareholder) of the Clearing Centre, with the exception of decisions that, in accordance with the legislation of the Republic of Kazakhstan, fall within the exclusive scope of duties of the general meeting of shareholders (sole shareholder) or the Clearing Centre's Management Board.</li> </ul> <p>According to the Charter of the Clearing Centre, issues within the exclusive scope of duties of the Board of Directors cannot be transferred to the competence of other bodies of the Clearing Centre, unless otherwise provided by the legislation of the Republic of Kazakhstan.</p> <p>To prevent conflicts of interest, the Board of Directors includes independent directors with sufficient autonomy to formulate their own position and the ability to make objective judgments, free from the influence of the Clearing Centre's executive bodies, shareholders, or other stakeholders. In accordance with the requirements of the current legislation of the Republic of Kazakhstan, at least thirty percent of the Board of Directors must be independent directors of the Clearing Centre.</p> <p>The measures taken by the Clearing Centre to identify, investigate and resolve conflicts of interest between members of the Board of Directors are reviewed as necessary.</p> <p>According to the legislation of the Republic of Kazakhstan and the regulations on the committees of the Board of Directors, three committees are required to operate under the Clearing Centre's Board of Directors: the Budget and Strategic Planning Committee, the Human Resources, Remuneration and Social Issues Committee, and the Internal Audit Committee.</p> <p>In this case, the creation of other committees of the Board of Directors may be envisaged in accordance with the legislation of the Republic of Kazakhstan.</p> <p>The main tasks of the Strategy Committee are:</p> <ol style="list-style-type: none"> <li>1) preparation and submission to the Board of Directors of recommendations for decision-making on issues of priority areas of the Clearing Centre's</li> </ol>
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		<p>activities and the Clearing Centre's strategy;</p> <p>2) interaction with the Clearing Centre's Management Board on matters related to the subject of its activities and ongoing control over the main (statutory) activities of the Clearing Centre;</p> <p>3) interaction with government agencies exercising control and surveillance functions in relation to the Clearing Centre.</p> <p>The Strategy Committee shall consist of at least five members.</p> <p>The main tasks of the Audit Committee are:</p> <p>1) preparing and submitting recommendations to the Board of Directors for decision-making on matters of accounting, financial reporting and auditing, internal control systems and risk management; as well as on matters of conflicts of interest;</p> <p>2) preparation and submission to the Board of Directors of recommendations for decision-making on matters relating to the work of the Internal Audit Service and the Compliance Service, the appointment and dismissal of managers and employees of the Internal Audit Service and the Compliance Service, and their remuneration;</p> <p>3) interaction with the Clearing Centre's Management Board on issues of accounting, financial reporting and auditing, internal control systems and risk management;</p> <p>4) interaction with the Internal Audit Service, Compliance Service and ongoing monitoring of their activities;</p> <p>5) interaction with audit organizations conducting audits of the Clearing Centre.</p> <p>The Audit Committee shall consist of at least five members.</p> <p>The main tasks of the Personnel Committee are:</p> <p>1) preparation and submission to the Board of Directors of recommendations for decision-making on matters of forming the Clearing Centre's Management Board, appointing and dismissing members of the Clearing Centre's Management Board, the corporate secretary and other employees of the Clearing Centre within the scope of authority of the Board of Directors (except for the heads and employees of the Internal Audit Service and the Compliance Service), determining the amounts and conditions of remuneration and bonuses for members of the Clearing Centre's Management Board, the corporate secretary and other employees of the Clearing Centre within the scope of authority of the Board of Directors</p>
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		<p>(except for the heads and employees of the Internal Audit Service and the Compliance Service), remuneration of members of the Board of Directors and its committees, as well as on social issues, corporate governance and corporate conflicts, business conduct and business ethics;</p> <p>2) interaction with the Clearing Centre's Management Board on issues of the Clearing Centre's personnel policy, the system of evaluation and remuneration of the Clearing Centre's employees;</p> <p>3) interaction with all or individual employees of the Clearing Centre on their requests regarding issues of social support for its employees that are not resolved by the Clearing Centre's Management Board;</p> <p>4) Interacting with various individuals regarding their inquiries regarding conflicts of interest in the area of corporate governance at the Clearing Centre, the failure of officials and employees reporting to the Clearing Centre's Board of Directors to adhere to its mission and corporate values, the failure of officials and employees reporting to the Clearing Centre's Board of Directors to comply with corporate principles and rules of corporate conduct, and the violation of business conduct principles and business ethics by officials and employees reporting to the Clearing Centre's Board of Directors.</p> <p>The Personnel Committee shall consist of at least three members.</p>
<p><i>Criterion 4</i></p> <p>The board of directors should be composed of qualified members who are knowledgeable and motivated to handle their many responsibilities. This typically includes non-executive members.</p>	<p>Fulfilled</p>	<p>Shareholders ensure that the requirements for the 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 incentive system for members of the Board of Directors ensures compensation levels commensurate with market standards (financial services, credit institutions). The incentive system also encourages members of the Board of Directors to actively participate in its meetings and meetings of the Board of Directors. The annual remuneration of members of the Clearing Centre's Board of Directors is determined based on their role and their active participation in the Board of Directors' meetings and committees. A well-thought-out remuneration policy motivates members of the Board of Directors and ensures the achievement of the long-term goals outlined at the beginning of Principle 2.</p> <p>The procedure for electing and determining the independence of members of the Clearing Centre's Board of Directors is set out in the Regulation on the</p>

		<p>Board of Directors and the Corporate Governance Code of the Clearing Centre.</p> <p>The 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-mentioned documents, including questionnaires of members of the Board of Directors, regular surveys, and the collection of additional information on legal entities whose governing bodies include Board members and/or their relatives. Currently, eight members have been elected to the Board of Directors, three of whom are independent directors.</p> <p>All members of the Clearing Centre's Board of Directors have an impeccable business reputation, possess sufficient experience and professional integrity necessary to manage the activities of the Clearing Centre, including risk management, and also meet the qualification requirements for members of the Board of Directors established by the legislation of the Republic of Kazakhstan.</p> <p>Information about each member of the Board of Directors is posted on the Clearing Centre's website (<a href="https://kacc.kase.kz/ru/about/">https://kacc.kase.kz/ru/about/</a>)</p>
<p><i>Criterion 5</i></p> <p>The roles and responsibilities of the management team should be clearly defined. The FMI's management should have the appropriate experience, combination of skills, and integrity to perform their responsibilities to lead the FMI's operations and manage its risks.</p>	<p>Fulfilled</p>	<p>The Clearing Centre's Management Board is a collegial executive body responsible for the day-to-day management of the Clearing Centre's operations. The Clearing Centre's Management Board reports to the general meeting of shareholders (the sole shareholder) and the Board of Directors.</p> <p>The primary responsibility of the Management Board is to implement the Clearing Centre's strategy and key business areas, as established by the General Meeting of Shareholders and the Board of Directors, as well as implement other decisions of the General Meeting of Shareholders and the Board of Directors. Key performance indicators for Management Board members are established, reviewed, and monitored by the Board of Directors.</p> <p>The Clearing Centre's Management Board is responsible for all matters related to the management of the Clearing Centre's day-to-day operations, with the exception of matters falling within the purview of the General Meeting of Shareholders or the Clearing Centre's Board of Directors. The Clearing Centre's executive body organizes the implementation of decisions of the General Meeting of Shareholders (the sole shareholder) and the Board of Directors. The Management Board's responsibilities are defined in the Clearing Centre's internal documents.</p>

		<p>The current Management Board of the Clearing Centre has sufficient experience and skills (information is provided on the Clearing Centre's website) to manage and control the risks of the Clearing Centre, and meets the requirements for collegial executive bodies in terms of qualifications and business reputation established by current legislation.</p> <p>The rights and obligations of the members of the Management Board are determined by the legislation of the Republic of Kazakhstan, the Charter of the Clearing Centre, the Regulation on the Clearing Centre's Management Board and the employment contract concluded with each member of the Management Board and the Clearing Centre.</p> <p>The following entities operate under the Management Board:</p> <ul style="list-style-type: none"> <li>✓ The Market Risk Committee, whose task is to analyze, monitor, identify and manage risks associated with the situation in the financial markets, the activities of the Clearing Centre, its counterparties – clearing participants, issuers and investors, as well as prepare recommendations for the Clearing Centre's Management Board;</li> <li>✓ The Information Security Committee, whose task is to minimize the likelihood of information security incidents and their possible damage, assess information security risks, adjust methods and means of ensuring information security, change relevant business processes, maintain and improve information security measures, prevent the risks of leakage of restricted information, and ensure the safety of the material property of the Clearing Centre in accordance with concluded agreements;</li> <li>✓ The Default Settlement Committee, whose task is to determine the terms of transactions aimed at settling defaults in the markets, transactions aimed at attracting liquidity in the event of a deficit in the correspondent accounts of the Clearing Centre;</li> <li>✓ The Investment Committee, whose tasks include managing the investment of KACC assets and managing KACC liquidity in accordance with the internal documents regulating the investment activities of KACC, settling defaults on transactions concluded with the participation of the central counterparty and ensuring the liquidity of financial instruments for the purposes of the central counterparty in accordance with the internal documents of KACC governing the clearing and investment activities of KACC, analyzing the financial instruments available in the investment portfolios of KACC, monitoring and assessing the liquidity of financial instruments for the purposes of the central counterparty in accordance</li> </ul>
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		<p>with the internal documents governing the clearing activities of KACC, ensuring the timely identification, assessment of risks, communication of information about them to the management of KACC, the Risk Management Unit and risk management of KACC within the established functions of the Treasury within the framework of the current procedures, processes, policies and other internal documents of KACC on risk management.</p> <p>The tasks and functions of the above committees are defined in the relevant internal documents of the Clearing Centre.</p> <p>Compliance with the specified requirements is ensured in the process of forming the Clearing Centre's Management Board.</p> <p>Early termination of the powers of the Chairman of the Management Board and members of the Clearing Centre's Management Board falls within the competence of the Board of Directors.</p>
<p><i>Criterion 6</i></p> <p>The board of directors should develop a clear, documented risk management framework that includes the FMI's risk tolerance policy, the allocation of responsibilities and accountabilities for implementing risk-related decisions, and decision-making in crisis and emergency situations.</p> <p>Management mechanisms should ensure that risk management and internal control functions have sufficient authority, independence, resources and access to the board of directors.</p>	<p>Fulfilled</p>	<p>The Clearing Centre's risk management system includes:</p> <ul style="list-style-type: none"> <li>✓ internal documents approved by the relevant governing bodies of the Clearing Centre;</li> <li>✓ a system of distributing authority for risk management between governing bodies and officials;</li> <li>✓ internal procedures that ensure the continuous identification, assessment and control of accepted risks, as well as informing stakeholders about the Clearing Centre's risks.</li> </ul> <p>The Clearing Centre's Board of Directors approved the Risk Management Policy, in accordance with which the Risk Management Unit operates, being responsible for:</p> <ul style="list-style-type: none"> <li>✓ implementation of the risk management policy in accordance with the legislation and regulations of the Republic of Kazakhstan;</li> <li>✓ implementation of identification, assessment, control and monitoring of risks of the Clearing Centre;</li> <li>✓ providing methodological and advisory assistance to the structural divisions of the Clearing Centre on risk management issues;</li> <li>✓ development and maintenance of an integrated risk management system;</li> <li>✓ business continuity management system for the Clearing Centre.</li> </ul>

		<p>The Risk Management Unit is an independent structural unit reporting directly to the Chairman of the Clearing Centre's Management Board.</p> <p>The powers of the governing bodies to make decisions on risk management are determined by the Charter and internal documents of the Clearing Centre:</p> <ul style="list-style-type: none"> <li>✓ The Board of Directors is responsible for establishing general risk management principles and overseeing their implementation, and also approves the Clearing Rules, criteria for the placement of temporarily available funds, as well as the policy for ensuring business continuity and planning for the restoration of financial stability;</li> <li>✓ The Board of Directors approves documents defining the fundamental principles of risk management and oversees the organization of the Clearing Centre's risk management system, including assessing the effectiveness of the risk management system. For this purpose, the Board of Directors receives regular reports containing an analysis of the relevant risks;</li> <li>✓ The Management Board is responsible for approving internal documents adopted in the development of general risk management principles, approves static risk parameters, limits on the placement of temporarily available funds, as well as action plans in emergency situations, the procedure for informing the ARDFM about emergency situations and other internal documents regulating detailed processes of interaction between departments in emergency situations, including the work of the backup office;</li> <li>✓ The Chairman of the Management Board makes operational decisions on risk management.</li> </ul> <p>In internal documents, the issue of risk tolerance is considered when determining the principles for forming an investment portfolio, including the selection of counterparties and instruments when placing temporarily free funds of the Clearing Centre, determining approaches to assessing the reliability of counterparties and clearing participants (for example, through an internal rating system).</p> <p>The Clearing Centre, being a qualified central counterparty, strictly adheres to the requirements established by control and surveillance authorities for the activities of non-bank credit institutions and/or clearing organizations – central counterparties in terms of limiting the risks assumed in the implementation of clearing activities and the conduct of banking operations.</p>
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		<p>The Compliance Service is an independent structural division of the Clearing Centre, accountable and controlled by the Clearing Centre's Board of Directors.</p> <p>The head and employees of the Compliance Service are appointed to and dismissed from office by decisions of the Clearing Centre's Board of Directors.</p> <p>Compliance control is based, in particular, on the principle of independence, separation of powers and responsibilities – employees of the Compliance Service do not hold part-time positions in other divisions of the Clearing Centre, and do not find themselves in a situation where a conflict of interest is possible between their responsibilities for compliance risk management and any other duties assigned to them.</p> <p>The primary objective of compliance control is to ensure effective compliance risk management within the Clearing Centre. Achieving this primary objective is determined by the need to protect the Clearing Centre's interests.</p> <p>The functions of the Compliance Service include:</p> <ul style="list-style-type: none"> <li>✓ implementation, on the instructions of the Clearing Centre's Board of Directors /committees of the Clearing Centre's Board of Directors, of periodic inspections of the Clearing Centre's compliance with the legislation of the Republic of Kazakhstan, as well as the legislation of foreign states that affect the activities of the Clearing Centre, and the internal documents of the Clearing Centre in order to determine the degree of exposure of the Clearing Centre to compliance risk;</li> <li>✓ development and maintenance of a compliance risk reporting system and periodic provision of information on compliance risk management issues to the authorized bodies of the Clearing Centre, including recommendations for eliminating violations and deficiencies in the work of the Clearing Centre related to compliance risk management and anti-corruption compliance;</li> <li>✓ development of internal documents in the field of combating corruption;</li> <li>✓ Submitting proposals to the Clearing Centre's Board of Directors to improve the methods and procedures for identifying, measuring, monitoring and controlling compliance risks, as well as developing recommendations aimed at increasing the effectiveness of the internal control system.</li> </ul>
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		<p>The Internal Audit Service is an independent structural division of the Clearing Centre, which is part of the system of internal control bodies.</p> <p>The independence of the Internal Audit Service is ensured by compliance with the following requirements:</p> <ul style="list-style-type: none"> <li>✓ The Internal Audit Service is organizationally subordinate and functionally accountable to the Board of Directors, the creation, reorganization and liquidation of which is carried out on the basis of a decision of the Board of Directors;</li> <li>✓ The Internal Audit Service does not carry out activities subject to audit;</li> <li>✓ 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 Chairman of the Management Board and the Management Board;</li> <li>✓ Activities of the Internal Audit Service are subject to independent assessment by an external auditor at least once every five years.</li> </ul> <p>The appointment to the position (dismissal from the position) of the head and employees of the Internal Audit Service is carried out on the basis of a decision of the Board of Directors.</p> <p>The responsibilities of the Internal Audit Service include:</p> <ul style="list-style-type: none"> <li>✓ implementation of internal audit in accordance with the requirements of the legislation of the Republic of Kazakhstan, regulatory acts of the National Bank of the Republic of Kazakhstan, international principles of professional practice of internal audit of the Institute of Internal Auditors (The Institute of Internal Auditors), internal documents of the Clearing Centre on the functioning of the internal control system and the implementation of internal audit;</li> <li>✓ Conducting audits across all areas of the Clearing Centre's operations. Any structural unit and/or business process of the Clearing Centre may be the subject of audits;</li> </ul>
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<p><i>Criterion 7</i></p> <p>The board of directors should ensure that the FMI's structure, rules, overall strategy, and key decisions adequately reflect the legitimate interests of its direct and indirect participants, as well as other stakeholders. Key decisions should be clearly communicated to stakeholders and, in cases with broad market impact, made public.</p>	Fulfilled	<p>The identification and consideration of interests of stakeholders and clearing participants is carried out in the following ways:</p> <ol style="list-style-type: none"> <li>1) directly through members of the Board of Directors and its committees, who are members of the governing bodies of companies participating in the financial market and clients of the Clearing Centre;</li> <li>2) public events (forums, seminars, consultations, quarterly meetings with clearing participants).</li> </ol> <p>In addition, the Clearing Centre publicly in the public domain the internal documents governing KACC's operations. Information about changes to internal documents is also published in the news section of KACC's website.</p>
<p><b>3. Integrated risk management system</b></p> <p><i>An FMI must have a robust risk management framework to comprehensively manage legal, credit, liquidity, operational and other risks.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i></p> <p>An FMI must have risk management policies, procedures, and systems to identify, quantify, monitor, and manage all risks posed to and experienced by the FMI. The risk management framework should be periodically reviewed.</p>	Fulfilled	<p>KACC's activities are exposed to the following main risks, as outlined in the Risk Management Policy (taking into account the requirements of regulatory legal acts):</p> <ol style="list-style-type: none"> <li>1) operational risks;</li> <li>2) legal risks;</li> <li>3) reputational risks;</li> </ol>

		<ul style="list-style-type: none"> <li>4) compliance risks;</li> <li>5) market risks;</li> <li>6) risks of loss of liquidity;</li> <li>7) credit risks;</li> <li>8) systemic risks;</li> <li>9) information security risks.</li> </ul> <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>The identification and assessment of the Clearing Centre's risks is carried out through an annual survey of divisions and the compilation of a risk register approved by the Clearing Centre's Board of Directors.</p> <p>In the event of identification of new risks, changes in the probability of occurrence and/or impact (damage) from the 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 assessed by KACC as "high" and "critical" are monitored/mitigated through monitoring key risk indicators developed by KACC based on the results of their identification.</p> <p>Risk management includes:</p> <ul style="list-style-type: none"> <li>1) taking measures to maintain the risk at a level that does not threaten the stability of the Clearing Centre;</li> <li>2) implementation of control procedures;</li> <li>3) optimization of existing procedures and/or control procedures;</li> <li>4) automation of processes.</li> </ul> <p>Risk management associated with the placement of equity capital and the provision of CPs is governed by KACC's Asset Investment Policy.</p> <p>The Board of Directors of KACC monitors the effectiveness of the risk management system based on reports from the Risk Management Unit, as well as reports from the Internal Audit Service on the results of audits of KACC activities.</p>
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		KACC regularly reviews and, if necessary, revises existing policies, procedures and risk management systems, taking into account changes in legislation regulating financial markets.
<p><i>Criterion 2</i></p> <p>An FMI should create incentives for its participants, and where appropriate – their clients, to manage and mitigate the risks they pose to the FMI.</p>	Fulfilled	<p>To mitigate its own risks, the CCP establishes requirements for the financial standing of clearing participants. Based on these requirements, clearing participants are assigned categories that determine the method of securing obligations to execute trades on a specific exchange market (trading modes of the exchange market). The CCP charges each clearing participant collateral, the amount of which is revalued daily based on the estimated value of the financial instrument minus coverage for decreased liquidity and increased price volatility for that financial instrument.</p> <p>The list of financial instruments accepted as collateral for transactions with the CCP concluded in modes with partial collateral, in addition to money, includes the most liquid and reliable securities, and this list is updated taking into account changes in the market conditions of financial markets, as well as the availability of other information indicating an increase in the risk of insolvency of the issuer and (or) a decrease in the liquidity of the financial instrument.</p> <p>In order to manage market risks under normal market conditions (conditions under which the two-day change in the 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"> <li>✓ a system for determining risk parameters of financial instruments;</li> <li>✓ limits on opening positions of clearing participants on certain exchange markets;</li> <li>✓ automatic control of the sufficiency of collateral for clearing participants (including preliminary verification of applications submitted by clearing participants for sufficiency of collateral);</li> <li>✓ individual rates and limits for clearing participants on certain exchange markets.</li> </ul> <p>Management of market risks, liquidity risks, and systemic risks in conditions of increased volatility in the prices of financial instruments (conditions in which the two-day change in the prices of financial instruments amounts to values exceeding the initial margin rates for these financial instruments) is carried out by the CCP through:</p> <ul style="list-style-type: none"> <li>✓ formation of clearing reserve and guarantee funds;</li> </ul>

		<p>✓ control over the sufficiency of guarantee contributions of clearing participants.</p> <p>Trading and clearing systems disclose information about clearing participants' claims and obligations, as well as collateral requirements for concluded transactions. Furthermore, KACC discloses all necessary risk management information on its website. Thus, clearing participants can manage the risks arising from their collaboration with KACC.</p> <p>KACC sets requirements for clearing participants' positions, promptly informs clearing participants of emerging margin requirements, and sets penalty rates for the rollover of obligations in the event of a clearing participant's failure to fulfill them in a timely manner. KACC also discloses information in advance about changes in risk parameters affecting the level of coverage for clearing participants' positions.</p> <p>In the event of a deterioration in the financial position of a clearing participant or an excess of risk concentration levels, the requirements for the clearing participant's collateral may be increased, including the establishment of the "fully collateralized" category.</p> <p>KACC interacts with clearing participants through meetings and the media. KACC provides clearing participants with 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 in default or insolvent for failure to fulfill or improper fulfillment of obligations and will charge penalties:</p> <p>1) in the amount of 15-fold the monthly calculation index in effect on the date of such application during the first application of the procedure within three calendar months;</p> <p>2) in the amount of 50-fold the monthly calculation index in effect on the date of such application when the procedure is re-applied within three calendar months, calculated from the date of the previous application (for each such application)</p>
<p><i>Criterion 3</i> An FMI should regularly review the material risks it faces and poses to other entities (e.g., other FMIs, settlement banks, liquidity providers, or service providers) due to</p>	<p>Fulfilled</p>	<p>KACC has developed a risk identification and assessment system in accordance with its Risk Management Policy and Rules. The purpose of the system and the outcome of the procedures carried out within it is the creation of a risk register based on a list of actual or potential events that have resulted or may result in losses for KACC. Significant risks, assessed</p>

<p>interconnectedness and should put in place appropriate risk management mechanisms.</p>		<p>by KACC as "high" and "critical," are monitored and mitigated through the monitoring of key risk indicators developed by KACC based on the identified risks. The mechanism for mitigating identified significant risks also includes the development of risk mitigation measures.</p> <p>As part of the procedure for identifying significant risks, KACC also takes into account risks that may arise in its activities in the context of interactions with other infrastructure organizations:</p> <ul style="list-style-type: none"> <li>✓ CD;</li> <li>✓ National Payment Corporation JSC (hereinafter – NPC);</li> <li>✓ correspondent banks;</li> <li>✓ liquidity providers.</li> </ul> <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>The identification and assessment of the Clearing Centre's risks is carried out through an annual survey of divisions and the compilation of a risk register approved by the Clearing Centre's Board of Directors.</p> <p>In the event of identification of new risks, changes in the probability of occurrence and/or impact (damage) from the 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 assessed by KACC as "high" and "critical" are monitored/mitigated through monitoring key risk indicators developed by KACC based on the results of their identification.</p> <p>Risk management includes:</p> <ol style="list-style-type: none"> <li>1) taking measures to maintain the risk at a level that does not threaten the stability of the Clearing Centre;</li> <li>2) implementation of control procedures;</li> <li>3) optimization of existing procedures and/or control procedures;</li> <li>4) automation of processes.</li> </ol> <p>Credit, market, systemic, and liquidity risks, the realization of which could impact other organizations, are assessed in 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 the financial stability of KACC as the central counterparty:</p> <p>Monitoring the financial status of counterparties, setting limits on the placement of funds with counterparties, as well as limits on types of transactions, establishing risk parameters for financial instruments, having a default management system, diversifying funds in correspondent accounts, etc.</p> <p>In order to cover losses, the CC forms reserves in accordance with 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 counterparties.</p> <p>The Clearing Centre's asset investment policy provides for limits on investment in instruments and limits on issuers/counterparties.</p>
<p><i>Criterion 4</i></p> <p>An FMI should identify scenarios that could potentially impede the FMI's ability to conduct critical operations and provide services on an ongoing basis and assess the effectiveness of its full range of options for recovery planning or orderly closure. The FMI should prepare plans for resumption of operations or orderly wind-down based on the assessment. Where necessary, the FMI should also provide relevant authorities with information necessary for decision planning.</p>	<p>Partially fulfilled</p>	<p>KACC is developing scenarios that could potentially hinder KACC's ability to carry out critical operations and provide services on a continuous basis, through:</p> <ol style="list-style-type: none"> <li>1) stress testing of market, systemic, credit risks and the risk of loss of liquidity 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 obligations;</li> <li>2) stress testing of operational risks of clearing systems is carried out for KACC in order to promptly identify the risk of failure/disruption of systems in the process of providing services to clearing participants and to develop appropriate measures to reduce/eliminate the risk.</li> </ol> <p>In order to ensure an adequate level of preparedness for a rapid response to a possible scenario of suspension of normal operating procedures, KACC has approved the Business Continuity Management Policy and the Business Continuity and Recovery Rules (hereinafter – the Rules) (in the process of being agreed upon with KASE); and the Business Continuity and Recovery Plan (jointly with the Exchange) (hereinafter – the Plan) is in the process of being approved.</p> <p>The decision to transfer KACC's operation to a crisis situation mode and activate the Plan is made in the event of a threat of occurrence or occurrence of a situation that has resulted in a disruption or termination of the process of performing critical activities and the impossibility of their restoration under</p>

		<p>the conditions of the daily functioning mode within the target time of restoration of activities.</p> <p>KACC's Policy, Rules and Business Continuity Plan are periodically reviewed and updated, including taking into account external factors (the emergence of new types of emergency situations), as well as the results of tests conducted, improvements to the fault-tolerance system and/or IT infrastructure in conjunction with the Exchange.</p> <p>The Rules provide for a system of information exchange between KACC and other FMIs in the event of an abnormal situation and subsequent restoration of activities.</p> <p>In general, in order to ensure the continuity of KACC's provision of critical services in all situations, a general structure of CCP protection levels, described in the Clearing Rules, and a business continuity management system, the operation of which is regulated by KACC's internal documents, were created.</p>
<p><b>4. Credit risk</b></p> <p><i>An FMI should effectively measure, monitor, and manage its credit risks, created by its participants, as well as its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to fully cover the credit exposures of each participant with a high degree of confidence. Furthermore, a CCP with a more complex risk profile or that 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, the default of the two largest participants and affiliates that could potentially cause the CCP's greatest aggregate credit exposure under extreme, but plausible, market conditions.</i></p> <p><i>All other CCPs must maintain total financial resources at least sufficient to cover the default of one of the participants or its affiliates that has the potential to cause the greatest aggregate credit risk to the CCP under extreme, but plausible, market conditions.</i></p> <p><b>Mainly compliant</b></p> <p><b>Criterion 3 of the Principle is not applicable</b></p>		
<p><i>Criterion 1</i></p> <p>An FMI should establish a robust framework for managing credit risks posed by its participants, including credit risks arising from its payment, clearing, and settlement processes. Credit risk may arise from current risks, potential future risks, or both.</p>	<p>Fulfilled</p>	<p>In accordance with the Clearing Rules, KACC takes the following measures to reduce the credit risk associated with the implementation of clearing and the activities of the CCP:</p> <ul style="list-style-type: none"> <li>✓ makes demands on the financial position of the clearing participant;</li> <li>✓ makes demands on clearing participants to provide collateral;</li> <li>✓ carries out preliminary control of the sufficiency of the clearing participant's collateral when submitting applications;</li> <li>✓ carries out a revaluation of the value of collateral and positions of clearing participants and controls the sufficiency of collateral of clearing</li> </ul>

		<p>participants; in case of insufficiency, KACC makes a demand to clearing participants to provide collateral (margin call);</p> <ul style="list-style-type: none"> <li>✓ forms guarantee funds;</li> <li>✓ at least daily, reevaluates the value of securities and foreign currency taken into account as contributions to guarantee funds;</li> <li>✓ imposes requirements for the provision of collateral depending on the ratings of clearing participants;</li> <li>✓ limits its liability.</li> </ul> <p>In addition, KACC regularly carries out:</p> <ul style="list-style-type: none"> <li>✓ monitoring compliance with the requirements for the financial position of clearing participants;</li> <li>✓ assessment of the financial position of all counterparties;</li> <li>✓ setting limits on the placement of funds with counterparties, as well as trading limits;</li> <li>✓ 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.</li> </ul> <p>KACC periodically reviews credit risk management mechanisms and risk profiles as they change due to:</p> <ul style="list-style-type: none"> <li>✓ changes in the market situation;</li> <li>✓ changes in regulation;</li> <li>✓ introduction of new products and implementation of projects.</li> </ul> <p>Monitoring the financial status of a KACC member includes:</p> <ol style="list-style-type: none"> <li>1) verification of compliance by a KACC member with prudential standards and/or other similar standards or indicators in accordance with the requirements of applicable legislation;</li> <li>2) monitoring the compliance by a KACC member with the requirements for the minimum amounts of authorized and equity capital established by the legislation of the Republic of Kazakhstan and the Membership Regulations for KACC members that are legal entities of the Republic of Kazakhstan, and the Membership Regulations for foreign KACC members;</li> <li>3) assessment of the financial condition of a KACC member in accordance with the Methodology for assessing the financial condition of KACC members.</li> </ol>
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		<p>Checks of KACC member compliance with legal requirements and KACC internal documents include:</p> <ol style="list-style-type: none"> <li>1) verification of the completeness and timeliness of disclosure of information by a KACC member;</li> <li>2) monitoring the financial status of a KACC member;</li> <li>3) verification of a KACC member's compliance with the requirements for its risk management system;</li> <li>4) verification of a KACC member's compliance with the requirements of the legislation of the Republic of Kazakhstan and KACC's internal documents when participating in trades conducted by the Exchange, implementing pre-trade and post-trade procedures and other actions related to participation in trades conducted by the Exchange and membership on the Exchange, which is carried out by KACC's structural divisions within the scope of their competence and in accordance with KACC's internal documents.</li> </ol> <p>The Clearing Centre's asset investment policy provides for limits on investment in instruments and limits on issuers/counterparties in order to reduce credit and systemic risk.</p> <p>The Business continuity management policy provides for testing of business continuity procedures to verify the continuity of clearing and settlement processes.</p> <p>The Risk management policy as measures to manage operational risks, namely:</p> <p>the risk of insufficiently effective process design or weak control over compliance with internal rules provides for: regulation in internal documents of the procedure for carrying out activities, coordination of the internal documents of the Clearing Centre and the results of project risk assessment with the Risk Management Unit;</p> <p>the risk of deficiencies or errors in the internal documents governing activities of the Clearing Centre, and non-compliance of internal documents with the requirements of the law, is provided for by: regulation in internal documents of the procedure for carrying out activities of the Clearing Centre, coordination of draft internal documents with the legal and compliance unit and the Risk Management Unit of the Clearing Centre</p>
<p><i>Criterion 2</i> An FMI should identify sources of credit risk, regularly quantify and monitor credit risks, and</p>	<p>Fulfilled</p>	<p>Sources of credit risk for KACC are identified based on procedures established by KACC's internal documents.</p>

<p>use appropriate risk management tools to control such risks.</p>		<p>The main sources of credit risk for the CC are:</p> <ul style="list-style-type: none"> <li>✓ clearing participants and their ability to meet their obligations;</li> <li>✓ counterparties and issuers when placing KACC's temporarily free cash (investing);</li> <li>✓ settlement organizations;</li> <li>✓ suppliers of goods/services to KACC.</li> </ul> <p>KACC uses the following mechanisms to control the credit risks of clearing participants:</p> <ul style="list-style-type: none"> <li>✓ application of the "delivery versus payment " principle or pre-delivery by clearing participants, which guarantees the transfer of securities only after payment has been made;</li> <li>✓ preliminary control of the sufficiency of collateral before the execution of transactions by clearing participants (pre-order validation);</li> <li>✓ setting limits (risk parameters) for financial instruments;</li> <li>✓ changes in the requirements for transaction collateral;</li> <li>✓ regular stress and back-testing;</li> <li>✓ formation of clearing reserve funds for all markets.</li> </ul> <p>The effectiveness of the mechanisms used is measured against actual losses incurred, as well as through numerous back- and stress tests.</p> <p>The 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 the Clearing Centre is Central Securities Depository JSC (hereinafter – the CD), a subsidiary of the National Bank of the Republic of Kazakhstan. Its rating is equivalent to the sovereign rating of the Republic of Kazakhstan. The Clearing Centre's asset investment policy provides for limits on the CD as a reliable counterparty.</p> <p>Settlement organizations on money may include second-tier banks, foreign banks, and international financial institutions. For each settlement organization, the Asset Investment Policy sets limits depending on the settlement organization's rating.</p>
<p><i>Criterion 3</i> A payment system or SSS (Securities Settlement System) should cover its current</p>	<p>Not applicable</p>	<p>Not applicable to KACC. KACC does not perform the functions of a payment system or a securities settlement system</p>

<p>and, if any, potential future exposures posed by each of its participants fully and with a high degree of confidence through 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 participants are exposed to credit risks created by their payment, clearing, and settlement processes, the FMI should maintain at least sufficient resources to cover the exposures posed by the two participants and their affiliates that could give rise to the largest aggregate credit risk in the system.</p>		
<p><i>Criterion 4</i>  A CCP must cover its current and potential future exposure to each of its participants fully and with a high degree of certainty using margin deposits and other prepaid financial resources (see Principle 5 on collateral and Principle 6 on margin/deposit). In addition, a CCP with a more complex risk profile or that is systemically important in multiple jurisdictions must maintain financial resources sufficient to cover a wide range of potential stress scenarios, including, but not limited to, the default of the two largest participants and their affiliates that could potentially cause the CCP's greatest aggregate credit exposure under extreme but plausible market conditions.  All other CCPs must maintain additional financial resources sufficient to cover a wide range of potential stress scenarios, which should include, but not be limited to, the default of a single participant and its affiliates that could potentially result in the CCP's</p>	<p>Fulfilled</p>	<p>As security for the performance of obligations by a clearing participant with partial collateral for transactions concluded under partial collateral conditions, KACC establishes:</p> <ul style="list-style-type: none"> <li>✓ requirements for partial collateral for net obligations for transactions recorded in clearing accounts and submitted orders of such clearing participants and calculated taking into account the features established for certain exchange markets by the Clearing Rules;</li> <li>✓ requirements for making a margin call on the relevant exchange market.</li> </ul> <p>As security for the performance of obligations by a partially secured clearing participant for transactions concluded on a full coverage basis, KACC establishes requirements for full coverage of net obligations in those financial instruments in which they arise as a result of the conclusion of such transactions.</p> <p>To ensure the fulfillment of obligations of clearing participants with full coverage, 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 collateral and does not pay guarantee fees.</p> <p>A clearing participant with partial collateral is obliged to form collateral for concluded but unsettled transactions with the CCP, as well as submitted orders for transactions with the CCP on the terms of partial collateral:</p>

<p>greatest aggregate credit risk under extreme but plausible market conditions.</p> <p>In all cases, the CCP must document the justification for the amount of total financial resources it supports and have appropriate mechanisms for managing them.</p>		<p>1) on the stock market in an amount at which the value of the single limit, calculated in accordance with the characteristics of the stock market, for the trading and clearing account from which transactions with partial collateral are concluded, was not negative;</p> <p>2) on the foreign exchange market in an amount at which the value of the single limit, calculated in accordance with the characteristics of the foreign exchange market, for the trading and clearing account from which transactions with partial collateral are concluded, was not negative;</p> <p>3) in the derivatives market in the amount of the collateral calculated in accordance with the characteristics of the derivatives market.</p> <p>The list of financial instruments accepted as collateral for transactions with partial collateral on a particular exchange market is determined by the T+ Collateral List, established in accordance with the Procedure for including financial instruments in the T+ List and the T+ Collateral List.</p> <p>The guarantee of completion of settlements for transactions carried out with the participation of the CCP is provided by conducting settlements based on multilateral netting and the construction of a multi-stage default management system designed to settle the unfulfilled net obligations of clearing participants.</p> <p>To cover a wide range of stress scenarios, including the simultaneous default of two of the largest clearing participants, KACC uses the protection system described above.</p> <p>Sufficient financial resources to cover a wide range of potentially stressful scenarios KACC evaluates within the framework of:</p> <ul style="list-style-type: none"> <li>✓ review of the adequacy of clearing funds, carried out at least once a year;</li> <li>✓ comprehensive stress testing</li> </ul>
<p><i>Criterion 5</i></p> <p>A CCP should regularly determine the amount and verify the adequacy of its total financial resources available in the event of default by one or more participants under extreme, but plausible, market conditions through stress testing. A CCP should have clear procedures for reporting stress testing results to the</p>	<p>Partially fulfilled</p>	<p>KACC monitors the compliance of financial instruments with the 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 risks division prepares a conclusion on the compliance of financial instruments with the requirements (hereinafter – the Conclusion) and submits it for consideration by KACC's authorized bodies.</p>

<p>relevant decision-making bodies of the CCP and use the results to assess the adequacy of its total financial resources and changes in their level.</p> <p>Stress testing should be performed daily using standard and pre-established parameters and assumptions.</p> <p>At least once a month, the CCP shall conduct a comprehensive and thorough analysis of the scenarios, models and underlying parameters used, and stress testing assumptions to ensure their appropriateness in determining the required level of protection for the CCP against default, taking into account current and evolving market conditions.</p> <p>A CCP should conduct such stress testing analyses more frequently when cleared products or markets served exhibit high volatility, become less liquid, or when the size or concentration of CCP participants' positions increases significantly.</p> <p>A full review of the CCP risk management model should be carried out at least once a year.</p>		<p>Sufficient financial resources of KACC to cover losses from the realization of significant risks arising in the activities of KACC in the event of the implementation of exceptional but probable events (stress testing of financial resources), includes:</p> <ul style="list-style-type: none"> <li>✓ adequacy of KACC's total financial resources to cover total losses;</li> <li>✓ adequacy of the guarantee funds.</li> </ul> <p>The adequacy of total financial resources is determined by the value of the total loss coverage ratio, which is the ratio of the difference between the volume of total financial resources KACC and total losses to the volume of total financial resources.</p> <p>The total financial resources of KACC are represented by the sum of capital and clearing funds (guarantee and reserve).</p> <p>The aggregate losses from the realization of stress testing scenarios for significant risks arising in KACC's activities may include:</p> <ul style="list-style-type: none"> <li>✓ losses from closing positions of unconscientious clearing participants (CC credit risk);</li> <li>✓ losses from default by KACC counterparties /bond issuers/ (credit risk of KACC investment activities);</li> <li>✓ losses from revaluation of assets and liabilities of KACC in the event of an unfavorable change in market indicators (market risk).</li> </ul> <p>Based on the results of stress testing, KACC's management bodies may, depending on their competence as defined by the Charter and other KACC documents, decide to implement measures aimed at reducing KACC risks:</p> <ul style="list-style-type: none"> <li>✓ change in the amount of individual clearing collateral/method for determining the amount of collateral;</li> <li>✓ changing the amount of contributions to guarantee funds/revising approaches to determining the amount of contributions to the guarantee fund;</li> <li>✓ increase in equity (capital) of KACC;</li> <li>✓ changes in risk parameters of financial instruments;</li> <li>✓ other measures aimed at reducing the risks of KACC.</li> </ul> <p>Stress testing scenarios are analyzed on an ongoing basis. KACC's Management Board periodically reviews the effectiveness and suitability of stress testing parameters and assumptions to current economic conditions.</p>
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<p><i>Criterion 6</i></p> <p>When conducting stress testing, the CCP should consider the implications of a wide range of relevant stress scenarios, both from the perspective of defaulting participants and from the perspective of possible price movements during liquidation periods. Scenarios should consider peaks in historical price volatility, changes in other market factors such as price determinants and yield curves, multiple defaults over different time periods, simultaneous pressures in financial and asset markets, and a range of forward-looking stress scenarios under various extreme but plausible market conditions.</p>	<p>Fulfilled</p>	<p>To generate a set of acceptable stress testing scenarios, the CC takes into account extreme historical changes in risk factors and then applies expert judgment to adjust them to the current economic situation (if necessary).</p> <p>Stress testing scenarios for the CC include:</p> <ul style="list-style-type: none"> <li>✓ extreme changes in key risk factors (exchange rates, stock indices, yield curves, price volatility), which are determined in accordance with the rules described above;</li> <li>✓ defaults of clearing participants/bond issuers/counterparties (including the default of the two largest participants and the default of the two largest counterparties/bond issuers of KACC's investment portfolio);</li> <li>✓ liquidity compression resulting from the outflow of collateral placed in the form of cash (for liquidity stress testing); sensitivity analysis to individual risk factors.</li> </ul> <p>KACC's Clearing Rules provide for a structure of financial resources that allows for the coverage of losses resulting from the 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 the defaulting participant to be distributed among conscientious participants whose positions are opposite to those of the defaulting participant.</p> <p>To fulfill the requirements of conscientious clearing participants, KACC carries out actions in the following sequence:</p>

		<ul style="list-style-type: none"> <li>✓ uses available cash/securities;</li> <li>✓ in case of insufficient free cash/securities, enters into swap transactions to borrow the missing asset;</li> <li>✓ in case of shortage of securities/cash, enters into repo transactions.</li> </ul> <p>The procedures provided for in the clearing rules, including the procedure for forced closure of positions, ensure the fulfillment of obligations to liquidity providers (conscientious clearing participants).</p> <p>The clearing rules for all markets provide for the reimbursement of guarantee fund funds in the event of the use of contributions after the clearing participant receives a notification from KACC.</p> <p>In addition, to ensure continuity and restoration of operations, the CC's actions are envisaged in the event of a decrease in capital to a level that threatens the continuity of service provision (approaching the minimum values of KACC's equity (capital) adequacy ratios (Plan in the process of approval)</p>
<p><i>Criterion 7</i></p> <p>An FMI should establish clear rules and procedures for the 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 the repayment of funds borrowed by the FMI from liquidity providers. These rules and procedures should also outline the process for replenishing the FMI's financial resources in the event of a stress event, so that the FMI can continue to operate safely and soundly.</p>	<p>Fulfilled</p>	<p>Under the Clearing Rules, the Clearing Centre, assuming the functions of the CCP, guarantees the fulfillment of net obligations to each conscientious clearing participant, subject to a limitation of its liability to the clearing funds of the exchange market where the default occurred, which are part of the collateral pool for covering the default. An insolvent clearing participant whose obligations were fulfilled using clearing funds is obligated to reimburse them in full under the terms and conditions specified in the Clearing Rules.</p> <p>In order to cover the unfulfilled obligations of the defaulting clearing participant, formed as a result of the conclusion of transactions during the implementation of forced liquidation, as well as the fulfillment of the obligations of the Clearing Centre for transactions with the CCP to conscientious clearing participants (including liquidity providers) on a certain exchange market, the following types of collateral are used: financial instruments, the guarantee contribution of the defaulting clearing participant, the clearing reserve fund of the exchange market on which the default occurred and other collateral.</p> <p>The Clearing Rules also establish the procedure for restoring clearing funds, collecting unfulfilled obligations of a defaulting participant, and the division (allocation) procedure for the purpose of partial fulfillment of claims.</p>
<p><b>5. Collateral</b></p>		

*An FMI that needs collateral to manage its own credit risk or the credit risk of its participants should accept collateral with low credit, liquidity, and market risks. Furthermore, the FMI should establish and enforce reasonably conservative minimum rates and concentration limits.*

**Compliant**

<p><i>Criterion 1</i></p> <p>Generally, an FMI should limit the types of assets it will (generally) accept as collateral to assets with low credit, liquidity, and market risks.</p>	<p>Fulfilled</p>	<p>Financial instruments accepted as collateral for transactions with the central counterparty on a partial collateral basis are:</p> <ul style="list-style-type: none"> <li>✓ on the foreign exchange market – currencies included in the T+ Collateral List;</li> <li>✓ on the stock market – securities and currencies included in the "T+ Collateral List";</li> <li>✓ in the derivatives market – national currency and US dollars.</li> </ul> <p>To include a financial instrument in the T+ Collateral List and for it to be included in the said list, such financial instrument must meet the following criteria:</p> <ol style="list-style-type: none"> <li>1) be included in the T+ List;</li> <li>2) meet the requirements for liquidity and reliability;</li> <li>3) in relation to government securities of the Republic of Kazakhstan and corporate bonds, comply with certain requirements;</li> <li>4) on the date of monitoring for compliance with the requirements for inclusion of financial instruments in 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"> <li>✓ failure of the issuer of such financial instrument to fulfill its obligations or upon receipt by the Clearing Centre of information indicating a deterioration in the financial condition of the issuer of such financial instrument, as a result of the consideration of which the financial instrument no longer meets the reliability criteria established by this Procedure;</li> <li>✓ the occurrence of cases of failure by the issuer or the initiator of the admission of such a financial instrument to comply with the requirements for the disclosure of information on planned changes to the prospectuses of the issue of securities, prospectuses of the issue of the bond program and other documents determining the procedure and terms of repayment, payment of coupon interest for bonds, as well as the terms of fixing the register of holders for making such payments, the amount of coupon payments, the par value for bonds, as well as other characteristics of the</li> </ul> </li> </ol>
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<p><i>Criterion 2</i></p> <p>An FMI should establish prudential valuation methods and determine discounts that are regularly tested under stressed market conditions.</p>	Fulfilled	<p>KACC as a CCP daily:</p> <ol style="list-style-type: none"> <li>1) sets new values of risk parameters (initial margin rates and concentration rates) of financial instruments in the manner determined by the internal documents of KACC;</li> <li>2) re-evaluates the collateral and open positions of clearing participants;</li> <li>3) for each trading and clearing account, it calculates the sufficiency of collateral for transactions with the CCP and records the margin call (if any)</li> </ol>
<p><i>Criterion 3</i></p> <p>To reduce the need for procyclical adjustments, the FMI should establish stable and conservative discounts, taking into account periods of market stress, to the greatest extent practicable and reasonable.</p>	Fulfilled	<p>KACC calculates and sets risk parameters of financial instruments in the manner determined by KACC's internal documents.</p> <p>Minimization of procyclicality is achieved, among other things, through the use of a minimum threshold level of risk parameters of financial instruments</p>
<p><i>Criterion 4</i></p> <p>An FMI should avoid concentrating certain assets if doing so would materially reduce the</p>	Fulfilled	<p>KACC sets concentration limits based on analyzed market volumes. Clearing participants' positions, as well as collateral, that exceed these limits are revalued at the highest rates corresponding to the risk parameters of the financial instruments.</p>

<p>ability to liquidate them quickly without a material adverse effect on price.</p>		<p>KACC re-evaluates concentration limits in the manner established by KACC internal documents.</p>
<p><i>Criterion 5</i> An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure that it can be used in a timely manner.</p>	<p>Fulfilled</p>	<p>Collateral accepted by KACC in the form of foreign currency may be held at KACC's correspondent banks based on agreements with these banks. KACC minimizes the risks associated with accepting cross-border collateral by concluding agreements only with reliable correspondent banks (with investment grade ratings).</p>
<p><i>Criterion 6</i> An FMI should operate a well-designed and operationally flexible collateral management system.</p>	<p>Fulfilled</p>	<p>The main characteristics of KACC's collateral management system include the following:</p> <ul style="list-style-type: none"> <li>✓ in order to verify the assets in the collateral, the latter are recorded in the trading and clearing accounts, as well as the corresponding positions;</li> <li>✓ KACC's collateral asset management system allows for the recording of collateral both in the clients' own accounts and in client accounts (omnibus and separate);</li> <li>✓ the same accounts where collateral is recorded are used for deliveries under contracts, which provides additional operational flexibility for clearing participants;</li> <li>✓ KACC's collateral asset management system allows for deposits, withdrawals, transfers between accounts, replacements, and sales of collateral within a single day (after verification of the sufficiency of collateral assets).</li> </ul> <p>Accounts for recording collateral may be used by clearing participants only for the purpose of securing transactions with KACC; the rights to realize collateral in the event of failure of clearing participants to fulfill their obligations to KACC are enshrined in the legislation of the Republic of Kazakhstan on the securities market, as well as in the Clearing Rules.</p> <p>KACC is not permitted to reuse securities provided by clearing participants as collateral. However, KACC reserves the right to use funds provided by clearing participants for its own purposes.</p> <p>The collateral management system has a high level of operational flexibility and allows for immediate consideration of changes in market conditions or the positions of clearing participants.</p>

		The sufficiency of the collateral is checked by assessing the collateral of current positions and active orders, all positions are taken into account immediately
<b>6. Guarantee deposit</b> <i>CCPs must cover their credit risks created by their participants across all products through an effective, risk-based and regularly reviewed margin system.</i> <b>Compliant</b>		
<b>Criterion 1</b> The CCP must have a margin system that sets margin levels commensurate with the risks and characteristics of each product, portfolio and market it services.	Fulfilled	<p>KACC's collateral requirements calculation system uses scenario analysis to determine the potential losses of KACC if default management procedures are applied to clearing participants.</p> <p>Currently, KACC has documented the procedure for calculating risk parameters used in determining collateral requirements, as well as the principles for calculating the adequacy of collateral.</p> <p>The size of the collateral requirement takes into account the specifics of price fluctuations, liquidity, and structure of each of the financial instruments serviced, and also allows for the assessment of potential losses.</p> <p>All deals cleared by KACC are subject to preliminary check, which involves checking all deals against available collateral using the KACC margining model before they are approved by the trading system. As a result, new deals cannot result in clearing participants' positions being under-collateralized. A collateral shortage can only occur as a result of position repricing or changes in risk parameters.</p> <p>In the event that clearing participants experience a shortage of collateral, KACC takes the following measures:</p> <ul style="list-style-type: none"> <li>✓ prohibits the clearing participant from increasing positions (until the collateral shortfall is eliminated, only transactions that reduce the collateral requirement are permitted);</li> <li>✓ sends a margin call to a clearing participant during a clearing session.</li> </ul> <p>All actions performed by KACC, clearing participants, and interactions between KACC and the CD are carried out within the timeframes established in the Clearing Rules. KACC ensures compliance with margin call deadlines by declaring default by clearing participants in the event that they fail to fulfill their margin call obligations, as well as by closing the positions of such clearing participants.</p>

<p><i>Criterion 2</i></p> <p>The CCP must have a reliable source of timely price data for its margin system. Furthermore, the CCP must have procedures and a reliable valuation model for use in circumstances where price data are unavailable or unreliable.</p>	<p>Fulfilled</p>	<p>The main source of price data is current information on orders and transactions of clearing participants for the relevant instruments on KACC's markets.</p> <p>KACC also uses current information from other market data providers as an alternative and for quality control purposes.</p> <p>Market data for KACC's margining model is derived from KACC's own database, including trading activity on the Exchange's markets. Other market data providers also provide over-the-counter quotes. Only relevant and timely price information is used. The reliability of information is assessed by experts. The methodology disclosed on the KACC website describes the criteria used to determine whether information is reliable and timely, as well as the procedure for determining KACC's estimated prices.</p>
<p><i>Criterion 3</i></p> <p>A CCP must 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. Initial margin must correspond to a case-by-case confidence level of at least 99 percent, relative to the expected distribution of future exposures.</p> <p>For a CCP that determines margin at the portfolio level, this requirement applies to the distribution of future risks across 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 the distribution of future risks must be met accordingly.</p> <p>The model should (a) include a conservative estimate of the time horizons for effective hedging or liquidation of certain types of products cleared by the CCP (including in</p>	<p>Fulfilled</p>	<p>The model's primary approach is to find the worst-case scenario. The initial margin model takes into account the specifics of individual instruments and is therefore applied with slight variations tailored to each instrument's specific needs.</p> <p>The scenarios used in margining models are calibrated using historical data and also taking into account 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"> <li>✓ potential future positions are the result of possible price fluctuations that lead to revaluation of the positions of clearing participants.</li> <li>✓ losses due to price fluctuations during the liquidation period in the event of a default by a clearing participant must be covered from the participant's collateral as a first level of protection under normal market conditions.</li> </ul> <p>The collateral requirement is calculated at the portfolio level, however KACC only includes those effects in the margin calculation model that have been fundamentally confirmed and validated.</p> <p>When determining the closeout time for each instrument, KACC considers its current liquidity level (trading volumes, etc.), the potential liquidity outflow from a specific product, and also considers the entire range of possible hedging instruments. In markets where the need for liquidity to liquidate large positions is considered most acute, KACC also applies increased risk parameter rates for financial instruments in the event of exceeding concentration limits. The limits themselves and the corresponding risk parameters are determined based on the assumption of a gradual closeout</p>

<p>stressed market situations), (b) include an appropriate measure of credit risk that takes into account risk factors for each relevant product and the impact of portfolio risks across products, and (c) limit, to the maximum extent practicable and reasonable, the need for disruptive procyclical changes.</p>		<p>of positions conducted over a longer period of time to avoid significant price changes for the relevant financial instrument.</p> <p>In determining risk parameters, KACC uses historical data on concluded transactions, taking into account qualitative indicators such as the relevance of the data used 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 losses.</p>
<p><i>Criterion 4</i></p> <p>The CCP must evaluate participants' positions based on current market prices and charge variation margin at least once a day to limit the buildup of existing risks. The CCP must have the appropriate body, authority, and operational capacity to issue daily margin calls or scheduled and unscheduled payments to participants.</p>	<p>Fulfilled</p>	<p>KACC conducts a preliminary check of the sufficiency of collateral for all orders to ensure that situations of insufficient collateral do not arise due to a participant's trading activity.</p> <p><i>In the stock market</i></p> <p>The adequacy of collateral for clearing accounts (own or client) of the securities market's clearing participants is monitored by calculating the single limit (the collateral value within which clearing participants can conclude transactions without collateral) for each clearing participant's clearing account. If, following the results of the margin adequacy check, the single limit is negative, clearing participants are notified of the need to fulfill a margin call and receive a margin call report in an amount that resets the single limit to a positive value (margin call), no later than 14:00 on the current clearing day.</p> <p><i>In the foreign exchange market</i></p> <p>The sufficiency of collateral for a clearing participant in the foreign exchange market is monitored based on the values of the single limit. If the collateral sufficiency check results in a negative value for the single limit, the clearing report specifies the requirement for the clearing participant to post additional collateral (margin). call), which arose as a result of the compilation of a single limit of a negative value.</p> <p>The requirement is considered fulfilled at the moment when the value of the single limit ceases to be negative, no later than 14:00 of the current clearing day.</p> <p>Parties to currency swap/deliverable futures transactions are required to periodically pay each other a sum of money in tenge, a variation margin, the amount of which depends on the change in the underlying asset price. The</p>

		<p>variation margin is calculated on the day the transaction is concluded and is paid from the settlement day following the date of the currency swap/deliverable futures transaction to and including the date of fulfillment of the obligations under the transaction (closing the currency swap/deliverable futures transaction).</p> <p><i>In the derivatives market</i></p> <p>Guarantee security for clearing participants in the derivatives market is provided.</p> <p>To determine the net claims/obligations on a clearing participant's trading and clearing account in the derivatives market, KACC uses a variation margin, which is calculated in accordance with the specifications of the relevant derivative financial instrument during the final clearing session conducted by KACC and consists of the variation margin amounts for each transaction concluded by the clearing participant. If the amount of money in the clearing participant's collateral account (own or client) falls below the required collateral amount, the clearing participant is obligated to fulfill a margin call by 13:00 on the following clearing day.</p>
<p><i>Criterion 5</i></p> <p>In calculating margin 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 entitled to apply cross-margining (cross-margin deposits), they must have adequate safeguards and a harmonized overall risk management system.</p>	Fulfilled	<p>KACC allows for a reduction in collateral requirements for concluded transactions in the event that opposite positions are formed from transactions with the same financial instrument.</p> <p>KACC monitors the robustness of the portfolio effect through daily back-testing of the adequacy of collateral to cover the revaluation on financial instruments and participants' portfolios.</p> <p>KACC does not have cross-margining agreements with other central counterparties.</p>
<p>A CCP should analyze and monitor the performance of its margin model and overall margin coverage through rigorous daily back-testing and, at a minimum, monthly, and more frequently if necessary, sensitivity analysis. A CCP should regularly evaluate the theoretical and empirical properties of its margin model</p>	Fulfilled	<p>Back-testing of risk parameter rates is carried out daily with risk parameters set based on the rate of breakout.</p>

<p>for all products it clears. When conducting sensitivity analysis of its model coverage, a CCP should consider a wide range of parameters and assumptions, reflecting potential market conditions, including periods of highest volatility experienced in the markets it serves and extreme changes in price correlations.</p>		
<p><i>Criterion 6</i> The CCP should regularly review and evaluate its margin system.</p>	<p>Fulfilled</p>	<p>Periodic (annual) testing and internal validation of model parameters are conducted. The results of the model quality assessment, as well as proposals for modifications, are submitted to the Management Board for consideration.</p>
<p><b>7. Liquidity risk</b></p> <p><i>An FMI should effectively assess, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquidity resources in all necessary currencies to settle payments on a same-day basis and, where necessary, within a single day or multiple days 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, that could result in the FMI's largest aggregate liquidity obligations under extreme but plausible market conditions.</i></p> <p>The Treasury assesses and manages liquidity risk using information received from KACC's structural units, forecasting using mathematical methods, and other imperative methods. If necessary, the Treasury, by decision of KACC's authorized bodies, may raise liquid resources through a third-party organization (brokerage firm) or raise liquid resources through default management procedures (Principle 13 of the CPSS – IOSCO).</p> <p>The CCP has agreements on the execution of swap and purchase/sale transactions with Provider Banks (for the currencies CNY, EUR, RUB) during the main trading sessions and an agreement with the National Bank of the Republic of Kazakhstan (the issuing central bank) on the provision of liquidity to the CCP until 18:30 of the trading day 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 not be available in highly stressful market conditions. The CCP has stress scenarios 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><b><i>Basically compliant</i></b></p> <p><b>Criterion 3 of the Principle is not applicable</b></p>		
<p><i>Criterion 1</i> An FMI must have a robust system for managing liquidity risk posed by its participants, settlement banks, nostro agents, depository banks, liquidity providers, and other entities.</p>	<p>Partially fulfilled</p>	<p>The CCP relies on incoming payments to fulfill its obligations to its participants. If participants default on payments for various reasons, including technical ones, after the end of the main trading session, the CCP lacks the necessary liquidity to cover its obligations outside of the trading session. The CCP has the option of pre-arranging liquidity by selling financial instruments acquired through margin deposits on the secondary market in the trading system through a broker or by conducting money market transactions through a broker to provide liquidity, except in cases of default</p>

		<p>settlement in accordance with Principle 13. However, these options do not fully cover liquidity risk, as it is impossible to fully predict the occurrence of a default.</p> <p>In accordance with Kazakhstan law, the CCP invests margin collateral in the manner prescribed by the CCP's internal documents within the CCP's risk management system, engaging a brokerage firm due to the combined activities of organizing trades. When urgent liquidity management operations are required, the CCP submits orders to the broker, who in turn directly executes the order in the trading organizer's trading system or in relation to accounts opened for the CCP with the broker: transferring funds from brokerage accounts to accounts for clearing activities, concluding transactions for the sale of financial instruments acquired through investing margin contributions, and concluding repo transactions involving financial instruments acquired through investing margin contributions of clearing participants. If the brokerage firm is unable to execute the CCP's orders when necessary, the CCP bears the risks associated with the broker's operational risks, among other things. In turn, such a risk can be eliminated by independently carrying out operations to invest margin collateral without involving a brokerage organization, which increases the flexibility of the CCP and makes it possible to carry out operations necessary for the activity in a timely manner.</p> <p>In turn, the CCP, together with the NBRK, has developed a mechanism for providing liquidity to the CCP by the NBRK outside of trading sessions (through repo and swap transactions). The terms of liquidity provision are currently being approved by the Technical Committee of the NBRK.</p>
<p><i>Criterion 2</i> An FMI must have effective operational and analytical tools to identify, measure, and monitor its settlements and financial flows on an ongoing and timely basis, including the use of intraday liquidity.</p>	<p>Fulfilled</p>	<p>Real-time monitoring of settlement and financial flows utilizes data from clearing and settlement systems, as well as treasury liquidity management systems. Analytical tools for assessing and monitoring liquidity include the GAP analysis and statistical analysis of inflows and outflows using a methodology similar to VaR and methods of analysis and forecasting of time series</p>
<p><i>Criterion 3</i> A payment system or SSS, including one using a deferred net settlement (DNS) mechanism, must maintain sufficient liquidity in all relevant currencies to settle payment</p>	<p>Not applicable</p>	<p>Not applicable to KACC. KACC does not perform functions of a payment system or a securities settlement system.</p>

<p>obligations on the same day and, if necessary, within one or more days, with a high degree of confidence, under a wide range of potential stress scenarios, which should include, but not be limited to, the default of one participant and its affiliates that would create the largest aggregate payment obligation under extreme but plausible market conditions.</p>		
<p><i>Criterion 4</i>  A CCP should maintain sufficient liquidity in all relevant currencies to settle securities-related payments, make required variation margin payments, and meet other payment obligations on a timely basis with a high degree of certainty under a wide range of potential stress scenarios, including, but not limited to, the default of a single participant and its affiliates that would create the largest aggregate payment obligation for the CCP under extreme but plausible market conditions. Furthermore, a CCP that engages in activities with a more complex risk profile or that is systemically important in multiple jurisdictions should consider maintaining additional liquidity resources sufficient to cover a wide range of potential stress scenarios, including, but not limited to, the default of two participants and their affiliates that would create the largest aggregate payment obligation for the CCP under extreme but plausible market conditions.</p>	<p>Partially fulfilled</p>	<p>The liquid resources of the CCP are formed through margin contributions, full and/or partial security for the fulfillment of obligations under transactions concluded in the trading system of the Stock Exchange by the open trading method and/or with the participation of the CCP, as well as through assets acquired as a result of investments in the guarantee or reserve funds of the CCP, and agreements concluded between the CCP and clearing participants to act as providers in the event of a lack of liquidity for the purposes of default management of the clearing participant.</p> <p>Currently, the sufficiency of liquid assets to meet KACC's obligations on time and in full (liquidity stress testing) is determined by liquidity ratios based on an analysis of liquidity gaps by maturity and currency over various time horizons.</p> <p>To generate scenarios for stress testing liquid assets, the following is used:</p> <ul style="list-style-type: none"> <li>✓ modeling the outflow of excess funds of individual clearing collateral for the largest defaulters;</li> <li>✓ modeling the outflow of funds to meet KACC's obligations before clearing participants.</li> </ul> <p>Trading with the CCP is conducted in the following settlement currencies: KZT, USD, EUR, CNY, and RUB. The CCP forms margin collateral in KZT and USD and maintains the necessary level of liquidity in accounts to carry out clearing activities within the framework of the CCP's risk management system. In the event of liquidity risk in EUR, CNY, and RUB, the CCP relies on agreements concluded with Provider Banks within the volumes specified in the agreement with the Provider Banks. These agreements are of a "best efforts" nature. If the Provider Bank is unable to provide liquidity, the CCP is forced to seek other ways to attract liquidity, such as concluding a swap transaction during the main trading sessions. Instruments for attracting liquidity after the close of the main trading sessions are implemented not in</p>

		all markets where the Central Bank operates and do not cover the entire trading day of the CCP (including settlement sessions)
<p><i>Criterion 5</i></p> <p>To meet the minimum liquidity resources requirement, an FMI's qualifying liquid resources in each currency include cash at the central bank of issue and creditworthy commercial banks, allocated credit lines, foreign currency swap agreements and confirmed repos, and highly liquid collateral held at a depository, as well as investments that are immediately available and convertible to cash with pre-established and highly reliable funding arrangements, even under extreme but plausible market conditions. If an FMI regularly has access to credit at the central bank of issue, the FMI may consider this access as a minimum requirement, up to the limit of available collateral eligible for pledging at the relevant central bank (or other relevant transactions with it). All of these resources should be available when needed.</p>	Partially fulfilled	<p>To build up a reserve of liquid assets, KACC maintains a sufficient volume of funds in accounts, including correspondent accounts with the National Bank of the Republic of Kazakhstan and reliable correspondent banks to ensure timely settlements following clearing.</p> <p>The CCP has agreements to provide financial instruments for the purpose of covering counterparty risk to manage the default of a clearing participant.</p> <p>The volume and availability of KACC's liquid resources fully enable the timely fulfillment of obligations following clearing.</p> <p>The CCP's asset base is formed by funds received for settlement transactions, margin, and other collateral for transactions with the CCP. The CCP maintains a sufficient level of funds in its correspondent accounts for clearing activities, including with the central bank. However, the CPSS-IOSCO defines a list of liquid resources for the purposes of managing the CCP's liquidity risk as follows: funds in accounts with central banks and/or creditworthy commercial banks, committed and reliable credit lines, committed and reliable currency swaps and designated repurchase agreements, as well as highly liquid collateral and investments that are readily accessible and convertible into cash with pre-agreed and highly reliable financing mechanisms even in extreme but acceptable market conditions.</p> <p>The CCP does not have dedicated credit lines, dedicated and reliable lines for swaps and repo transactions, with the exception of the foreign exchange market, where the Agreement with the National Bank of the Republic of Kazakhstan on the mechanism for providing liquidity to the central counterparty is in effect.</p> <p>The CCP also has agreements with clearing participants to provide best-efforts securities or currency provider services. These agreements are not applicable for the purposes of this criterion, as they pose a risk of providers not having the necessary financial instruments during periods of extreme market conditions. Experience shows that during periods of high volatility, provider lines with clearing participants are not a reliable source of liquidity to support the CCP's operations.</p> <p>At the same time, the Treasury is conducting all necessary work to ensure compliance with this criterion. Currently, a mechanism for providing liquidity</p>

		<p>to the CCP is being developed jointly with the National Bank of Kazakhstan, specifically:</p> <ol style="list-style-type: none"> <li>1. REPO transactions with the CCP in the special LQR mode secured by securities included in the KASE T+ Collateral list with the CCP (NBRK);</li> <li>2. Overnight loan secured by US dollars on KACC's correspondent account in the National Bank of the Republic of Kazakhstan.</li> </ol> <p>The terms of liquidity provision are currently being approved by the Technical Committee of the National Bank of the Republic of Kazakhstan.</p>
<p><b>Criterion 6</b></p> <p>An FMI may supplement its qualifying liquid resources with other types of liquid resources. In this case, these liquid resources should be in the form of assets that are readily marketable or acceptable as collateral for a credit line, swap, or repo due to default, even if this cannot be reliably predetermined or guaranteed in extreme market conditions. Even if an FMI does not regularly have access to credit from the central bank of issue, it should consider what collateral is typically accepted by the relevant central bank, as these assets may be more likely to be liquid under stressful circumstances. An FMI should not consider obtaining emergency credit from the central bank as part of its liquidity plan.</p>	fulfilled	<p>KACC may use its own securities portfolio as collateral to raise qualifying liquid resources.</p> <p>KACC builds an investment portfolio of highly liquid securities that are in demand and acceptable as collateral for credit lines, swaps, or repos following default. Even if this cannot be reliably guaranteed or guaranteed in extreme market conditions, KACC expects that the ability to sell or pledge them as collateral (not limited to the NBRK, if necessary) will remain.</p>
<p><b>Criterion 7</b></p> <p>An FMI should provide a high degree of assurance, through rigorous due diligence, that each minimum required qualifying liquidity provider, whether an 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. Where necessary to assess the soundness of a</p>	Fulfilled	<p>The financial position of liquidity providers is assessed in accordance with KACC's internal rating procedures. Claims and obligations to liquidity providers are reassessed daily.</p> <p>Furthermore, in the domestic market, the NBRK itself may 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>liquidity provider's operations for a particular currency, the liquidity provider's potential access to credit from the central bank of issue may be taken into account. An FMI should regularly test its procedures for the availability of its liquid resources held by a liquidity provider.</p>		
<p><i>Criterion 8</i> An FMI with access to central bank accounts, payment services, or securities services should use these services, as appropriate, to enhance its ability to manage liquidity risk.</p>	<p>Fulfilled</p>	<p>KACC has access to the services of the National Bank of the Republic of Kazakhstan when making payments and settlements in tenge, as well as the ability to receive liquidity from the National Bank of the Republic of Kazakhstan for the purposes of settling clearing participant defaults and covering counterparty risk. KACC maintains these facilities in constant readiness and uses them as needed.</p> <p>Settlement banks are selected based on their credit quality and operational capabilities for payments and settlements in the relevant foreign currencies. Commercial bank infrastructure is used in cases where the NBRK and Central Depository infrastructure cannot be utilized. KACC utilizes the services of foreign settlement banks, as well as Kazakhstan's settlement organizations (CDs and commercial banks).</p>
<p><i>Criterion 9</i> An FMI should determine the extent and regularly test the adequacy of its liquidity resources through regular and rigorous stress tests. The FMI should have clear procedures for reporting stress test results to the relevant decision-making authorities of the FMI to assess the adequacy of its liquidity risk management framework and adjust it accordingly. When conducting stress testing, an FMI should consider a broad range of stress scenarios. Scenarios should include relevant peaks in historical price volatility, changes in other market factors such as fundamentals and yield curves, multiple defaults over different time periods, simultaneous pressures on funding and asset markets, and a range of forward-looking</p>	<p>Fulfilled</p>	<p>KACC conducts stress testing of liquid assets using the scenarios described in the answers to the relevant questions.</p> <p>Management reporting on the stress testing of liquid assets as part of the comprehensive report on the results of the stress testing of the financial stability of KACC as of the reporting dates is submitted for consideration to 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 within the framework of the established stress testing procedure.</p> <p>To generate scenarios, changes in risk factors associated with underlying market indicators are used, such as:</p> <ul style="list-style-type: none"> <li>✓ change in the tenge exchange rate against a basket of currencies (US dollar, Russian ruble, yuan and euro);</li> <li>✓ interest rates;</li> <li>✓ price volatility;</li> </ul>

<p>stress scenarios under a variety of extreme but plausible market conditions. Scenarios should also consider the design and operation of the FMI, include all entities that may expose the FMI to material liquidity risk (such as settlement banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and, where appropriate, cover a multi-day period. In all cases, an FMI should document the rationale and have appropriate governance mechanisms in place to govern the amount and type of general liquid resources it maintains</p>		<p>✓ other information.</p> <p>The use of a delivery versus payment settlement model and the ability to net defaulter positions are built into the loss model within the established stress testing procedure.</p> <p>The historical and hypothetical scenarios used, as well as the methodology, are periodically reviewed. Furthermore, provision is made for revising the scenarios used at the initiative of KACC's Risk Management Unit as the need arises (for example, due to changes in market conditions).</p> <p>KACC has procedures in place to govern the determination of liquidity needs.</p>
<p><b>Criterion 10</b></p> <p>An FMI must have clear rules and procedures to enable the FMI to settle payment obligations on the same day, intraday, or within a few days in the event of individual or collective default by its participants. These rules and procedures should address unexpected and potential uncovered liquidity shortfalls and should aim to prevent the closeout of positions, cancellation, or delay in settlement of payment obligations on the same day. Furthermore, the rules and procedures should also outline how the FMI will replenish any liquidity resources it has drawn down during a stress event to ensure continued safe and effective operation.</p>	<p>Fulfilled</p>	<p>KACC procedures for fulfilling transaction obligations (settlements) require clearing participants to credit funds equal to the net obligations formed by the start of clearing to KACC correspondent accounts and use these funds to fulfill the clearing participants' net claims. Procedures for managing the CCP's liquidity in the event of a cash shortage for settlements are stipulated in KACC's internal regulations, which outline the procedures and methods for raising liquidity.</p> <p>During a clearing session in the derivatives, stock, and foreign exchange markets, in the event of a clearing participant's full or partial default on its obligations, procedures for deferring the fulfillment of obligations or their complete termination/liquidation are implemented in accordance with the CCP's internal regulatory documents. The deferment of clearing participant obligations in the event of default is carried out using the CCP's assets deposited in accounts for clearing activities.</p> <p>The generated collateral of clearing participants, as well as contributions to the guarantee fund and other collateral, is used in the procedures for settling the default of a clearing participant according to the "waterfall" principle in accordance with the procedures/procedure for clearing the CCP and other internal regulatory documents.</p>
<p><b>8. Completion of settlements</b></p> <p><i>An FMI should ensure full and reliable settlement at least by the end of the value day. Where necessary or appropriate, an FMI should ensure final settlement within the trading day or in real time.</i></p> <p><b>Compliant</b></p>		

<p><i>Criterion 1</i></p> <p>The FMI's rules and procedures should clearly define the point at which settlements become final.</p>	<p>Partially fulfilled</p>	<p>Item 3 Article 55 of the Act of the Republic of Kazakhstan "On Payments and Payment Systems" states that if a payment without the use of cash is made by transferring money, then the payment is completed at the moment the money transfer is completed by:</p> <ol style="list-style-type: none"> <li>1) making an accounting entry on the beneficiary's bank account upon receipt of funds in his favor;</li> <li>2) the actual issuance of cash to the beneficiary by the beneficiary's bank, if the beneficiary does not have a bank account;</li> <li>3) the offset provided for in item 9 of the article 46 of this Law;</li> <li>4) making an accounting entry on another account reflecting the receipt of money in favor of the beneficiary.</li> </ol> <p>Settlement of a payment, transfer instruction, or other obligation is considered final upon receipt of funds in the settlement organization's correspondent account. Final net claims/obligations on funds are settled through collateral accounts (own, aggregated client, or aggregated custodial) opened in KACC's internal accounting system for clearing participants, for securities in KASE subdivisions, no later than the end of the settlement and clearing session, as established by the Regulations.</p> <p>The specified procedure is defined in the Clearing Rules posted on KACC's website.</p> <p>The procedure for fulfilling obligations following clearing is contained in KACC's Clearing Rules, which establish that obligations subject to fulfillment are included in the clearing pool and terminated following the results of the clearing session.</p> <p>Agreements on the provision of clearing services between clearing participants and KACC are concluded under Kazakhstan's jurisdiction, and the applicable legislation is the legislation of the Republic of Kazakhstan.</p> <p>KACC does not provide clearing services in other jurisdictions. In accordance with the legislation of the Republic of Kazakhstan, the suspension of operations on trading and clearing accounts is not permitted with respect to assets required for the fulfillment (termination) of obligations admitted to clearing. The rules established by this article apply to both Kazakhstan's and foreign organizations.</p> <p>However, the laws of the foreign state shall apply to contractual relations on the basis of which KACC accounts are opened in foreign banks (settlement organizations) located outside the jurisdiction of the Republic of Kazakhstan,</p>
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		<p>unless the agreement between KACC and the foreign bank provides otherwise.</p> <p>The CD and the Settlement Chamber send reports/notifications on settlement to the Clearing House. Obligations are settled after the obligations are settled in the CD and the Settlement Chamber.</p>
<p><i>Criterion 2</i></p> <p>An FMI should finalize settlements no later than the end of the value date, preferably intraday or in real time, to mitigate settlement risk. A large payment system (LPS) or SSS should consider using a real-time gross settlement system or multi-stage intraday processing.</p>	Fulfilled	<p>The time regulations of KACC's and the Central Depository are designed in such a way that settlements are completed on the value date.</p> <p>Clearing sessions are held every business day. KACC makes every effort to ensure timely settlements for conscientious clearing participants.</p> <p>Clearing participants are informed by providing reports on the results of the clearing session.</p> <p>According to KACC's rules:</p> <ol style="list-style-type: none"> <li>1) for stock market transactions, gross settlements are carried out in real time, net settlements are carried out twice a day, based on the results of each clearing session;</li> <li>2) for foreign exchange market transactions, settlements are carried out based on the results of each clearing session;</li> <li>3) in the derivatives market, settlements are carried out during a clearing session.</li> </ol> <p>The regulations for clearing and settlements on all markets (foreign exchange, stock market, derivatives) are clearly spelled out in the internal documents of KACC's: Regulations for clearing sessions for transactions with the central counterparty</p>
<p><i>Criterion 3</i></p> <p>An FMI should clearly define the point after which outstanding payments, transfer instructions, or other obligations may not be revoked by a participant.</p>	Fulfilled	<p>The revocation of payment orders is regulated by an internal document – the Rules for Conducting Banking Operations and stipulates the impossibility of revoking a money transfer instruction after its execution.</p>
<p><b>9. Cash settlements</b></p> <p><i>An FMI should conduct monetary settlements in central bank funds where appropriate and possible. If central bank funds are not used, the FMI should minimize and strictly manage credit and liquidity risks arising from the use of commercial bank funds.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i></p>	Compliant	<p>To conduct settlements in tenge, the CCP uses its bank accounts with the CD and the National Bank of the Republic of Kazakhstan. The CD, in turn,</p>

<p>An FMI should settle cash settlements in central bank funds where appropriate and feasible to avoid credit and liquidity risks.</p>		<p>conducts settlements using its account with the National Bank of the Republic of Kazakhstan.</p> <p>To conduct settlements in foreign currency, the CCP uses its bank accounts with foreign custodian banks. These banks are subject to the requirements set forth in the internal document, the Procedure for Review and Monitoring of Correspondent Banks of the Clearing Centre.</p>
<p><i>Criterion 2</i></p> <p>If the central bank's funds are not used, the FMI should conduct cash settlements using risk-free assets or settlement assets with low credit and liquidity risks.</p>	<p>Fulfilled</p>	<p>The main currencies used for settlements are freely convertible and liquid. For settlements in other currencies, settlement banks are typically selected in the currency's country of origin. KACC, in accordance with its internal documents, assesses the credit risk of settlement institutions by determining internal ratings and establishing credit rating requirements. To limit the level of risk accepted, KACC sets credit risk and liquidity limits.</p> <p>When choosing foreign settlement banks, preference is given to national (central) banks or the largest commercial banks, as well as banks recommended by national (central) banks.</p> <p>The list of settlement banks is available on KACC's website (<a href="http://www.kase.kz">www.kase.kz</a>)</p>
<p><i>Criterion 3</i></p> <p>If an FMI settles in commercial bank funds, it should monitor, manage, and limit its credit and liquidity risk exposure to commercial settlement banks. Specifically, the FMI should establish and monitor compliance with strict criteria applicable to settlement banks, including those related to their regulatory and surveillance framework, creditworthiness, capitalization, access to liquidity, and operational reliability. The FMI should also monitor and manage the concentrations of credit and liquidity risk to which it is exposed from commercial settlement banks.</p>	<p>Fulfilled</p>	<p>Counterparty assessments are conducted at least once every six months. The assessment is conducted in accordance with KACC's Correspondent Bank Review and Monitoring Procedure and includes the following performance indicators for correspondent banks over the past six months (or the completed financial year):</p> <ul style="list-style-type: none"> <li>✓ general information about the correspondent bank, its shareholders, management, and market positions;</li> <li>✓ long-term credit ratings;</li> <li>✓ level of quality and efficiency of service (quality of payment processing, availability of real-time feedback, speed and efficiency of request processing, written and telephone negotiations and consultations);</li> <li>✓ assessment of financial condition (assessment of equity, analysis of the quality of assets and liabilities, assessment of liquidity);</li> <li>✓ negative information (published by the media or received from other sources).</li> </ul> <p>Operational control of the liquid position of KACC is carried out by the Exchange on the basis of:</p>

		<ul style="list-style-type: none"> <li>✓ data on the liquid position of KACC 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;</li> <li>✓ data on the expected volumes of balances of credits/debits of funds of clients – clearing participants;</li> <li>✓ data on payments for the purchase/sale of securities;</li> <li>✓ data on the expected own conversion operations;</li> <li>✓ data on individual payments related to the payment of administrative and business transactions;</li> <li>✓ data on other transactions affecting the liquidity position.</li> </ul> <p>The Risk Management Unit conducts an analysis of correspondent banks to identify credit risks in accordance with the 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 transactions are conducted on the Exchange.</p> <p>In case of a shortage of operational liquidity under normal market conditions, the following measures are taken:</p> <ul style="list-style-type: none"> <li>✓ attracting the required volume of funds on the market, including swap transactions;</li> <li>✓ carrying out transactions for the purchase/sale of foreign currency in the required volumes;</li> <li>✓ reduction of securities portfolios, conducting repo transactions;</li> <li>✓ determination of payment priorities.</li> </ul> <p>KACC's prospective liquidity is regularly analyzed and assessed, which includes:</p> <ul style="list-style-type: none"> <li>✓ analysis of prospective liquidity over all time horizons using gap analysis, including forecasting cash flows in accordance with the actual timing of asset sales, repayment and collection of liabilities;</li> <li>✓ determination of the rational need of KACC for liquid assets, including determination of excess/deficit of liquidity;</li> <li>✓ analysis of prospective liquidity using liquidity excess/deficit ratios;</li> <li>✓ analysis of the structure and concentration of assets and liabilities of KACC, the status of claims (especially with overdue terms) and obligations (especially in the presence of a threat of early presentation).</li> </ul>
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<p><i>Criterion 4</i></p> <p>If an FMI conducts cash settlements on its own books, it must minimize and strictly control its credit and liquidity risks.</p>	Fulfilled	<p>The Clearing House shall minimize credit and liquidity risks as described in Principle 9. The Clearing House shall keep records of its own funds separately from funds received from clearing participants to ensure the fulfillment of their obligations, as well as from funds reserved to cover the risks of the CCP.</p>
<p><i>Criterion 5</i></p> <p>An FMI's legal agreements with any settlement banks should clearly state when transfers are finalized on the 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 business day, to enable the FMI and its participants to manage credit and liquidity risks.</p>	Fulfilled	<p>Correspondent account agreements with settlement banks (or account maintenance terms – in the case of non-resident banks) establish the maximum time for debiting/crediting funds from/to the correspondent account with the value date "current business day", that transfers become final upon their execution and that the bank may dispose of funds in its correspondent account from the moment they are credited to the specified account.</p> <p>Settlements on correspondent accounts are carried out throughout the entire operating day of the respective correspondent bank.</p>
<p><b>10. Actual delivery</b></p>		

<p><i>An FMI should clearly define its obligations with respect to the delivery of physical instruments or commodities and identify, monitor, and manage the risks associated with physical delivery.</i></p> <p><b>Not applicable.</b></p>		
<p><i>Criterion 1</i> An FMI's rules should clearly define its obligations with respect to the delivery of physical instruments or commodities.</p>	Fulfilled	Not applicable. All financial instruments are issued in book-entry form.
<p><i>Criterion 2</i> An FMI should identify, monitor, and manage the risks and costs associated with the custody and physical delivery of physical instruments or commodities.</p>	Fulfilled	Not applicable. All financial instruments are issued in book-entry form.
<p><b>11. Central securities depositories</b>  <i>A central securities depository must have appropriate rules and procedures to ensure the safekeeping of securities issues and to minimize and manage risks associated with the safekeeping and transfer of securities. The central securities depository must record securities in immobilized or dematerialized form for the purpose of their transfer in book-entry form.</i>  KACC does not perform the functions of a Central Securities Depository.  <b>The principle does not apply</b></p>		
<p><b>12. Asset exchange settlement systems</b>  <i>If an FMI settles transactions that involve the settlement of two related obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by settling one obligation after settling the other obligation.</i>  <b>Compliant</b></p>		
<p><i>Criterion 1</i> An FMI that is an exchange of assets settlement system should eliminate principal risk by ensuring that one obligation is finally settled when, and only when, a related obligation is also finally settled, regardless of whether the FMI settles on a gross or net basis and regardless of when settlement is final.</p>	Fulfilled	<p>Principal risk vis-à-vis a clearing participant may arise in securities and foreign exchange transactions. Settlements on the "delivery versus payment" conditions or on advance delivery terms by the clearing participant eliminate the possibility of this risk.</p> <p>The procedures for using this mechanism are described in the Clearing Rules:</p> <ul style="list-style-type: none"> <li>✓ KACC determines the net obligations of a clearing participant in each relevant security and currency on each date;</li> <li>✓ On the settlement date (determined in accordance with the Clearing Rules for each financial instrument for which KACC performs clearing activities), KACC verifies the clearing participant's fulfillment of its</li> </ul>

		<p>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;</p> <ul style="list-style-type: none"> <li>✓ 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;</li> <li>✓ If it is impossible to transfer the obligations, the position is closed and the participant's obligation is terminated.</li> </ul> <p>These procedures ensure that final settlement of one obligation will only be made subject to final settlement of a related obligation.</p> <p>Settlements for interrelated obligations are made on a net basis.</p> <p>Settlements for transactions with foreign currency and securities are carried out on the "delivery versus payment" principle.</p> <p>Financial instruments used for clearing and recorded in trading and clearing accounts are protected from third-party claims until the settlement of clearing results is completed.</p> <p>KACC independently monitors compliance with the "delivery versus payment principle".</p>
<p><b>13. Rules and procedures relating to participant default</b></p> <p><i>An FMI must have effective and clearly defined rules and procedures for managing participant default. These rules and procedures should be designed to enable the FMI to take timely measures to mitigate losses and liquidity pressures and continue to meet its obligations.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i></p> <p>An FMI must have rules and procedures in place to manage participant defaults that enable the FMI to continue to meet its obligations in the event of a default by one participant and to manage the replenishment of resources following a default.</p>	<p>Fulfilled</p>	<p>KACC's rules and procedures establish a list of grounds for the possibility of KACC declaring both operational and technical default of a clearing participant and provide for actions to be taken in the event of KACC declaring a default of a clearing participation.</p> <p>Cases of operational default include the failure of a clearing participant to fulfill its obligations under transactions in full and within the established timeframe, as well as the failure to fulfill a margin requirement in full and within the established timeframe.</p> <p>Cases of financial default are:</p> <ul style="list-style-type: none"> <li>✓ cases of revocation (cancellation) by an authorized body of a clearing participant – a credit institution's license to carry out banking operations;</li> </ul>

		<ul style="list-style-type: none"> <li>✓ cases of appointment of a temporary administration or a court decision to introduce one of the bankruptcy procedures in relation to a clearing participant;</li> <li>✓ cases of revocation (cancellation) of a special permit (license or other permit) issued by the competent authority of the state of incorporation of a non-resident bank, on the basis of which the non-resident bank has the right to carry out banking operations provided for by the legislation of the non-resident bank.</li> </ul> <p>Actions taken in the event of KACC declaring default of a clearing participant include:</p> <ul style="list-style-type: none"> <li>✓ termination of all transactions of the clearing participant whose default has been declared by KACC;</li> <li>✓ Conclusion by KACC of transactions hedging the risks arising from the termination of all transactions of a clearing participant whose default has been declared by the Exchange.</li> </ul> <p>Regulation of situations of default of a clearing participant:</p> <p><b>Operational default:</b></p> <ul style="list-style-type: none"> <li>✓ concluding "closing" transactions or terminating obligations in the event of impossibility of transfer – cash settlement;</li> <li>✓ sale of collateral;</li> <li>✓ use of contributions from a unconscientious clearing participant to guarantee funds.</li> </ul> <p>In case of operational default, actions are automatic.</p> <p><b>Financial default:</b></p> <ul style="list-style-type: none"> <li>✓ termination of clearing services,</li> <li>✓ termination of obligations under transactions on the day of termination of clearing services,</li> <li>✓ liquidation netting.</li> </ul> <p>In the event of a financial default, 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>
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<p><i>Criterion 2</i></p> <p>An FMI should be well prepared to apply its rules and procedures in the event of a default, including the relevant discretionary procedures provided for in its rules.</p>	Fulfilled	<p>The procedures for settling defaults are described in the Clearing Rules and the Default Settlement Rules.</p> <p>These internal documents contain comprehensive provisions and procedures to be implemented upon the occurrence of an event of default, including, but not limited to, the terms and timing of transactions, the methods of trading used, and the procedure for decision-making by authorized bodies.</p>
<p><i>Criterion 3</i></p> <p>An FMI should publicly disclose key aspects of its default management rules and procedures.</p>	Fulfilled	<p>The clearing rules, which set out the procedure for conducting default management procedures, are available on the Internet resource KACC.</p> <p>a) Procedure for settling the default of clearing participants:</p> <ol style="list-style-type: none"> <li>1) a margin call is made in the event of insufficient collateral;</li> <li>2) procedures for forced closure of positions and foreclosure of collateral are carried out in the event of an unfulfilled margin requirement or an unfulfilled obligation for several consecutive days;</li> <li>3) if the individual clearing collateral is insufficient to cover the debt or satisfy the defaulter's margin requirement, their contribution to the guarantee fund is used. If their contribution to the guarantee fund is insufficient, KACC's (Skin-in-the-game) reserve fund is used, as well as contributions to the guarantee fund from conscientious clearing participants;</li> <li>4) when bankruptcy proceedings are introduced against a clearing participant or the license to carry out banking operations is revoked, a</li> </ol>

		<p>liquidation netting procedure is carried out; a transfer of positions is also possible;</p> <p>5) a mechanism for distributing losses is provided through the procedure for discounting liabilities, which is used in relation to the obligations to pay variation margin.</p> <p>b) Default management procedures are carried out by the responsible units of KACC.</p> <p>c) In the event of a clearing participant's default, KACC shall enter into balancing transactions with a conscientious clearing participant similar to the transactions entered into by KACC with the defaulter.</p> <p>e) There are no direct relationships between the clearing participant's clients</p>
<p><i>Criterion 4</i></p> <p>An FMI should engage its participants and other stakeholders in testing and reviewing its default procedures, including any wind-down procedures. Such testing and review should be conducted at least annually or following significant changes to its rules and procedures to ensure their appropriateness and effectiveness.</p>	Fulfilled	<p>KACC procedures and operational capabilities is regularly conducted as part of testing changes to trading and clearing systems, including in collaboration with clearing participants.</p> <p>For the convenience of clearing participants, a test circuit of the trading system has been created. Clearing participants can use it to test any operations and procedures, including default management procedures.</p>
<p><b>14. Segregation and the possibility of transfer</b></p> <p><i>The CCP must have rules and procedures that ensure the segregation and transferability of the positions of the participant's clients and the collateral provided by the CCP for these positions.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i></p> <p>A CCP must, at a minimum, have segregation and transfer mechanisms that effectively protect, in accordance with applicable law, the participant's client positions and the corresponding collateral in the event of a default or insolvency of one participant. If a CCP additionally offers protection for such client positions and collateral against the simultaneous default of one participant and its</p>	Fulfilled	<p>The Clearing Rules establish requirements for clearing participants in the securities and derivatives markets to maintain separate accounting of cash, as well as obligations and collateral, for clearing participants and their clients. KACC also ensures separate accounting of the assets of a clearing participant's client, which cannot be used to secure and/or fulfill the clearing participant's obligations to be fulfilled at the expense of its other clients.</p> <p>Upon the client's instruction received by the CC through the depository, the client's claims, assets and liabilities can be transferred from one broker to another.</p>

affiliates, the CCP must take measures to ensure the effectiveness of such protection.		
<p><i>Criterion 2</i></p> <p>The CCP must use an account structure that allows it to quickly identify the positions of a participant's clients and segregate the corresponding collateral. The CCP must maintain client positions and record collateral in separate client accounts or in omnibus client accounts.</p>	Fulfilled	In accordance with the Procedure for Opening, Maintaining, and Closing Clearing Accounts and Trading Clearing Accounts, KACC opens a separate account for each clearing participant for its own assets and separate accounts for the clearing participant's clients (individual and omnibus accounts). Margin collateral and positions of clearing participants and their clients are recorded in these accounts. KACC may identify the positions and margin collateral of a clearing participant or the collateral of its clients at any time.
<p><i>Criterion 3</i></p> <p>The CCP should design the transfer mechanisms in such a way that they are likely to ensure the transfer of the positions and collateral of the clients of the defaulting participant to one or more other participants.</p>	Fulfilled	The procedure for declaring a clearing participant insolvent is defined by the Clearing Rules. Each client of a clearing participant receives a separate trading and clearing account, which records the client's positions and margin. In the event of a clearing participant's default, the client's positions and margin are not included in the settlement of the default. The client may transfer positions and margin to accounts with another clearing participant.
<p><i>Criterion 4</i></p> <p>A CCP must publicly disclose its rules, policies, and procedures regarding the segregation and transferability of positions and related collateral of a participant's clients. Specifically, a CCP must publicly disclose whether client collateral is protected on an individual or omnibus basis. Furthermore, a CCP must publicly disclose any legal or operational restrictions that may prevent it from segregating or transferring positions and collateral of a participant's clients.</p>	Fulfilled	<p>The segregation mechanisms are established in the Clearing Rules, which are subject to mandatory disclosure on KACC's official website.</p> <p>KACC discloses information regarding operational procedures, requirements and costs of segregation in the Clearing Rules.</p> <p>There are no legal restrictions other than those established in the Clearing Rules.</p>
<p><b>15. General commercial risk</b></p> <p><i>An FMI should identify, monitor, and manage its overall business risk and maintain sufficient net liquid assets, funded by equity, to cover potential overall business losses to continue operations and services as a going concern should such losses occur. Furthermore, the level of net liquid assets should always be sufficient to ensure the restoration or orderly termination of critical operations and services.</i></p> <p><b>Compliant</b></p>		
<i>Criterion 1</i>	Fulfilled	KACC identifies overall commercial risk by analyzing revenues and expenses arising from an organization's operations. Specifically, overall

<p>An FMI must have reliable governance and control systems to identify, monitor, and manage general business risks, including losses from inadequate implementation of business strategy, negative cash flows, or unexpected and excessive operating expenses.</p>		<p>commercial risk can arise from the provision of unprofitable services and products. To monitor and mitigate overall commercial risk:</p> <ul style="list-style-type: none"> <li>✓ KACC adheres to its development strategy, which is developed with the participation of the Board of Directors' Budget and Strategic Planning Committee;</li> <li>✓ When implementing new projects, income and expense analysis is carried out; business planning, control and analysis of the reasons for failure to implement the plan;</li> <li>✓ In order to identify the potential impact of general business risks on the organization, KACC prepares a capital forecast and conducts a cash flow analysis, which is presented to KACC management for review.</li> </ul>
<p><i>Criterion 2</i></p> <p>An FMI should hold net liquid assets funded by equity (such as common shares, publicly traded reserves, or retained earnings) to enable it to continue operating and providing services on an uninterrupted basis in the event of general business losses. The amount of net liquid assets funded by equity held by an FMI should be determined by its risk profile and the length of time necessary to ensure the restoration or orderly completion of critical operations and services, if such measures are taken.</p>	<p>Fulfilled</p>	<p>KACC risks are covered by its own capital in accordance with the regulatory requirements of the National Bank of the Republic of Kazakhstan, including those reflecting the CPMI-IOSCO Principles for Financial Markets.</p> <p>The calculation procedure is described in the relevant regulations of the National Bank of the Republic of Kazakhstan.</p>
<p><i>Criterion 3</i></p> <p>An FMI must have a viable recovery or orderly liquidation plan and sufficient net liquid assets, funded by equity, to implement it. An FMI's net liquid assets, funded by equity, should be at least six months' worth of current operating expenses. These assets are in addition to the resources allocated to cover participant defaults or other risks specified in the financial resources management principles. However, capital established in accordance with international risk-based</p>	<p>Partially fulfilled</p>	<p>KACC strives to comply with international standards implemented by the regulatory acts of the National Bank of the Republic of Kazakhstan.</p> <p>In accordance with regulatory requirements, KACC generates dedicated KACC capital (Skin-in-the-Game), funds for general risk coverage, and funds for an orderly exit from the capital that, according to regulatory requirements, is required to cover all other risks. In addition, KACC regularly assesses the additional capital required to cover losses in the event of stress.</p>

standards may be included where appropriate and practical to avoid duplication of capital adequacy requirements.		
<p><i>Criterion 4</i></p> <p>Assets allocated to cover general commercial risk should be of high quality and sufficiently liquid to allow the FMI to cover its current and projected operating expenses under various scenarios, including adverse market conditions.</p>	Fulfilled	<p>KACC's assets meet the liquidity and quality requirements set forth in regulatory legal acts of regulatory and surveillance authorities and are distributed in such a way that they can be sold with minimal or no loss in value in unfavorable market conditions. KACC's assets are primarily represented by balances in correspondent accounts and investments in conservative financial instruments that meet the credit rating requirements of the National Bank of the Republic of Kazakhstan.</p> <p>KACC periodically monitors asset quality and liquidity, and the results of this monitoring are monitored by the Financial Markets Agency (FMA). KACC also conducts stress testing of liquidity risk, market risk, and credit risk under several different scenarios. Further information on KACC stress testing is provided in Principles 4 and 7.</p>
<p><i>Criterion 5</i></p> <p>An FMI must have a viable plan for raising additional capital in the event its equity capital approaches or falls below the established minimum. This plan must be approved by the board of directors and updated regularly.</p>	Partially fulfilled	<p>Attracting additional financial resources is an integral part of efforts to ensure the continuity and restoration of KACC's operations. Additional financial resources are expected to be raised once the bank's capital adequacy level approaches the minimum levels established by the National Bank of the Republic of Kazakhstan.</p> <p>The issue of raising additional capital requires consideration by KACC's Board of Directors.</p> <p>According to KACC's Charter, the final decision on raising additional capital is made by shareholders based on proposals from KACC's Board of Directors</p>
<p><b>16. Depository and investment risks</b></p> <p><i>An FMI should protect its own assets and those of its participants, minimizing the risk of loss and delayed access to these assets. An FMI should invest in instruments with minimal credit, market, and liquidity risks.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i></p> <p>An FMI should hold its assets, including those of its participants, with supervised and regulated entities that have sound record-keeping practices, secure storage</p>	Fulfilled	<p>KACC's assets are held in accounts with the National Bank of the Republic of Kazakhstan, the Central Depository, and local and foreign commercial banks. When selecting local and foreign commercial banks, KACC is guided by the following selection criteria:</p>

<p>procedures, and internal controls in place to ensure that such assets are fully protected.</p>		<ul style="list-style-type: none"> <li>✓ second-tier banks of the Republic of Kazakhstan with a long-term rating of at least "B" on the international scale of Standard &amp; Poor's or a rating of a similar level on the international scale of Fitch or Moody's Investors Service;</li> <li>✓ international financial organizations with a long-term rating of at least "BBB-" on the international scale of Standard &amp; Poor's or a rating of a similar level on the international scale of Fitch or Moody's Investors Service;</li> <li>✓ foreign correspondent banks with a long-term rating of at least "BBB-" on the international scale of Standard &amp; Poor's or a rating of a similar level on the international scale of Fitch or Moody's Investors Service;</li> <li>✓ non-resident banks with a long-term rating of at least "BBB-" on the international scale of Standard &amp; Poor's or a rating of a similar level on the international scale of Fitch or Moody's Investors Service.</li> </ul> <p>Additionally, for a number of the above-mentioned depositors, an investment limit is set to minimize the risk of concentration.</p>
<p><i>Criterion 2</i> An FMI must have immediate access to its assets, including assets transferred to it by participants, when necessary.</p>	<p>Fulfilled</p>	<p>All assets, including securities, required for settlements following clearing are held in clearing organization accounts (exempt from claims by government agencies and courts) opened with a settlement organization under the jurisdiction of the Republic of Kazakhstan. KACC has the right to manage all accounts used for settlements following clearing.</p> <p>Access to funds in foreign currency in KACC's correspondent accounts in non-resident settlement banks is provided in real time during the counterparty's business day.</p>
<p><i>Criterion 3</i> An FMI should assess and understand the risks it faces from its custodian banks, taking into account the full range of its relationships with each of them.</p>	<p>Fulfilled</p>	<p>KACC periodically assesses and monitors credit risks for all counterparties. The settlement depository for securities is the Central Depository (CD), a subsidiary of the National Bank of the Republic of Kazakhstan, a major shareholder of KACC's parent organization. Due to this, and because the CD does not include client assets on its own balance sheet, credit assessment and credit risk monitoring for the CD are not performed. To manage concentration risk for depositories and settlement banks, KACC sets limits based on their financial position. These limits are monitored in real time and are periodically reviewed.</p>
<p><i>Criterion 4</i> An FMI's investment strategy should be consistent with its overall risk management strategy and fully disclosed by its participants,</p>	<p>Fulfilled</p>	<p>KACC has developed an Asset Investment Policy (hereinafter referred to as the Investment Policy), which defines the fundamental principles of KACC's investment strategy. The Investment Policy is coordinated with the Risk Management Unit and approved by KACC's Board of Directors.</p>

<p>and investments should be secured by or comprise claims on highly reliable obligors. These FMI investments should provide the ability to liquidate quickly with minimal (or no) loss in value.</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 KACC's credit rating requirements. KACC sets limits based on the financial condition of counterparties and issuers. These limits are monitored in real time and are periodically reviewed.</p> <p>Limits are set for all counterparties and investment transactions based on an assessment of the counterparty's financial position and the specific impact of the transactions on capital adequacy. Structural limits are also established, particularly for investments in the banking sector.</p> <p>KACC invests funds only in highly liquid financial instruments, sets limits on the share of securities acquired, and monitors the projected liquidation period of the portfolio. In critical conditions of liquidity shortage, the securities portfolio may be transferred to the National Bank of the Republic of Kazakhstan as part of a repo transaction.</p>
<p><b>17. Operational risk</b>  <i>An FMI should identify potential sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should ensure a high degree of security and operational reliability and have sufficient scalable capacity. Business continuity management should aim to ensure the timely restoration of operations and the fulfillment of the FMI's obligations, including in the event of a widespread or significant disruption.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i>  An FMI should establish a reliable operational risk management framework, using appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.</p>	<p>Fulfilled</p>	<p>Operational risk management is carried out based on KACC's Risk Management Policy and Risk Management Rules, which describe the methodology for identifying potential sources of operational risk. The policy was developed taking into account the specifics of KACC's core activities, including its functions as a clearing house and central bank for transactions concluded on the Exchange, as well as KACC's treasury operations. KACC's operational risk management process includes not only the identification of operational risk events but also an analysis of their causes, decision-making on risk mitigation measures, and subsequent monitoring of the completeness and adequacy of these actions.</p> <p>The main sources of operational risks:</p> <ul style="list-style-type: none"> <li>✓ suboptimal, insufficient or ineffective processes and procedures;</li> <li>✓ employee inefficiency (errors);</li> <li>✓ system failures;</li> </ul>

		<ul style="list-style-type: none"> <li>✓ adverse external factors (including fraud or emergencies).</li> </ul> <p>In accordance with the provisions of the Risk Management Rules, KACC continuously monitors key operational risk indicators. The monitoring system includes, among other things:</p> <ul style="list-style-type: none"> <li>✓ development and evaluation of the effectiveness of key risk indicators;</li> <li>✓ collecting information to calculate key risk indicators;</li> <li>✓ calculation and control of current values of key risk indicators;</li> <li>✓ prompt response to critical values of key risk indicators.</li> </ul> <p>Loss events and key risk indicators are reported to management bodies on a regular basis.</p> <p>For identified operational risks, 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, mitigation plans are developed, and monitoring is carried out on a regular basis.</p> <p>To ensure that operational procedures are carried out properly, KACC uses:</p> <ul style="list-style-type: none"> <li>✓ regulations for the trading day for clearing transactions concluded on various exchange markets;</li> <li>✓ control over the implementation of operational procedures by available means;</li> <li>✓ applicable systems, policies, and processes are periodically reviewed for compliance with the requirements of regulatory and oversight bodies, international standards and principles.</li> </ul> <p>Fraud prevention activities are carried out within the framework of the information security management system and include:</p> <ul style="list-style-type: none"> <li>✓ information leak prevention system;</li> <li>✓ ranking of information according to the degree of confidentiality and secrecy;</li> <li>✓ separation of employee access rights to information and data</li> </ul>
<p><i>Criterion 2</i></p>	<p>Fulfilled</p>	<p>At the CC, operational risk management is overseen by KACC's Board of Directors. The Board of Directors approves the risk management system, including operational risk, the general operating principles of the system's</p>

<p>The FMI's board of directors should clearly define roles and responsibilities for operational risk management and approve the FMI's operational risk management framework. Controls, operational policies, procedures, and practices should be periodically reviewed, tested, and validated, including after significant changes.</p>		<p>key elements, and internal risk management documents in accordance with the Charter.</p> <p>In accordance with the requirements of the Charter and Risk Management Policy, the first level of competence is represented by the Board of Directors of KACC.</p> <p>The Board of Directors periodically holds meetings devoted to KACC risk management issues, including based on the results of the analysis of prepared data and information received during the reporting period, and is authorized to make decisions, including on the revision and approval of the operational risk management system.</p> <p>As part of the annual mandatory audit of financial statements, issues related to operational risk are also considered.</p>
<p><i>Criterion 3</i> An FMI must have clearly defined operational reliability objectives and apply principles aimed at achieving these objectives.</p>	<p>Fulfilled</p>	<p>The CC uses the following qualitative and quantitative objectives as operational reliability goals:</p> <ul style="list-style-type: none"> <li>✓ risk appetite (maximum permissible values of risk indicators) for the purpose of limiting/controlling risk when setting and achieving goals in the area of operational reliability;</li> <li>✓ key risk indicators (KRI).</li> </ul> <p>The above ratios largely reflect the system reliability level. Maintaining the ratios at the established level requires adequate and uninterrupted operation of all systems, which is determined by the current management system both within the IT infrastructure and within the support and maintenance units.</p> <p>The following documents have been developed, approved and implemented at KACC:</p> <ul style="list-style-type: none"> <li>✓ Risk Management Policy;</li> <li>✓ Risk management rules;</li> <li>✓ Business Continuity Management Policy (in the process of approval);</li> <li>✓ Business Continuity and Recovery Rules (in the process of approval);</li> <li>✓ Business Continuity and Recovery Plan (jointly with the Exchange, in the process of development and approval);</li> <li>✓ Risk register (in the process of approval)</li> </ul>

<p><i>Criterion 4</i> An FMI should ensure sufficient scalable capacity to handle increased transaction volumes during periods of stress and to maintain the level of service provided.</p>	<p>Fulfilled</p>	<p>The Clearing Centre leases software and hardware from the Exchange. The Clearing Centre's risk management rules require the Exchange to provide stress testing results for the clearing system.</p>
<p><i>Criterion 5</i> An FMI must have a comprehensive physical and information security policy that addresses all potential vulnerabilities and threats.</p>	<p>Fulfilled</p>	<p>In accordance with Kazakhstan's legislation, an information security management system is being created that takes into account the protection of KASS from all potential risks of threats to the confidentiality, integrity, and availability of information, services provided to clients, and internal business processes, and also ensures the continuity of existing management processes.</p> <p>KACC employs policies, processes, and procedures to promptly identify and address potential risks and threats to physical and information security. To assess system security, KACC aligns security policies and protocols with industry standards and conducts periodic independent vulnerability assessments of network infrastructure and security protocols (intrusion testing).</p> <p>KACC maintains interaction and cooperation with law enforcement agencies and the industry information security center of the financial sector of the Republic of Kazakhstan to obtain timely information and assess threats.</p> <p>System security standards are established and monitored within KACC's internal documents. Employees of a dedicated KACC unit, in collaboration with Kazakhstan Stock Exchange JSC, identify, assess, and implement measures to eliminate system and process vulnerabilities and minimize security threats. All KACC employees adhere to internal procedures to prevent issues that threaten the confidentiality, integrity, and continued operation of internal information systems.</p> <p>KACC has developed several documents related to information security, including:</p> <ul style="list-style-type: none"> <li>✓ Information Security Policy;</li> <li>✓ Rules for improving knowledge in the field of information security;</li> <li>✓ Rules for working with protected information.</li> </ul> <p>The development and implementation of a set of internal security policies and processes is carried out in accordance with the requirements of the legislation of the Republic of Kazakhstan in the field of information security and the international standard (ISO/IEC 27001:2022)</p>

<p><i>Criterion 6</i></p> <p>An FMI must have a business continuity plan that addresses events that pose a significant risk of disruption, including those that could cause widespread or global disruptions. The plan should include a backup facility and be designed to ensure that critical information technology (IT) systems can resume operations within two hours of a disruption. The plan should enable the FMI to complete settlements by the end of the disruption day, even in extreme situations. The FMI should regularly test the arrangements under the plan.</p>	<p>Partially fulfilled</p>	<p>The following have been developed and approved in the CC:</p> <p>Business Continuity Management Policy;</p> <p>Rules for ensuring continuity and restoration of activities (at the stage of coordination with KASE).</p> <p>The Business Continuity and Recovery Plan (joint with KASE) is in the process of being approved.</p> <p>The Business Continuity Management Policy defines the basic operating principles and main components of KACC's business continuity management system. The business continuity management policy provides for critical processes, their acceptable downtime, and the target recovery time (for the billing process, 2 hours and until the end of the working day, respectively).</p> <p>Business continuity and recovery policies outline the organization's business continuity management process and the structure of its business continuity and recovery plan.</p> <p>A business continuity plan defines the process for restoring business processes in the event of a large-scale or global disruption to normal operations.</p> <p>As part of the business continuity and recovery plan, recovery plans for critical IT systems are created, defining the recovery period.</p> <p>In the event of IT system failures, data loss is minimized due to multiple forms of data backup and storage by the service provider. Business continuity plans will include continuously tested backup systems ready for deployment in various offices. All clearing data is backed up across various storage systems (hot, warm, and cold). Trading activity and hardware and software functionality are monitored in real time.</p> <p>The Business Continuity and Recovery Plan will govern the procedure for restoring critical activities defined in the Business Continuity Management Policy and communications in the event of a disruption to normal operations.</p> <p>KACC uses the Exchange's backup office and backup data processing centers in accordance with cooperation agreements. The requirements for the backup office are based, among other things, on the requirements of the National Bank of the Republic of Kazakhstan and describe the technical specifications of the backup office and the minimum resources required to restore critical processes.</p>
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<p><i>Criterion 7</i></p> <p>An FMI should identify, monitor, and manage the risks posed to its operations by key participants, other FMIs, and service providers and utilities. Furthermore, an FMI should identify, monitor, and manage the risks posed by its operations to other FMIs.</p>	<p>Partially fulfilled</p>	<p>The main service providers of KACC are:</p> <p>The Exchange is a parent organization that provides software and hardware for use within the framework of cooperation agreements;</p> <p>Central Securities Depository (CD);</p> <p>NPK JSC (FMI).</p> <p>Monitoring and management of risks associated with cooperation with the FMI is carried out within the framework 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 (in the process of being approved by KASE). The Rules provide for interaction between KACC and the FMI in ensuring business continuity.</p>
<p><b>18. Access and Participation Requirements</b></p> <p><i>An FMI must have objective, risk-based, and publicly available criteria for participation that ensure fair and open access.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i></p> <p>An FMI should provide fair and open access to its services, including to direct and, where appropriate, indirect participants and other FMIs, based on reasonable participation requirements that are consistent with the risk.</p>	<p>Fulfilled</p>	<p>The following requirements apply to clearing participants:</p> <ul style="list-style-type: none"> <li>✓ requirements for the financial stability of a clearing participant;</li> <li>✓ availability of a signed agreement with the Exchange;</li> <li>✓ contribution to the guarantee fund;</li> <li>✓ availability of a license from an authorized body to carry out the type of activity corresponding to the market;</li> <li>✓ documents confirming the legal capacity and reliability of the clearing participant;</li> <li>✓ compliance with technical requirements.</li> </ul> <p>The Regulation on Clearing Participants, among other things, sets out the following requirements:</p> <ol style="list-style-type: none"> <li>1) A candidate for assignment of the status of a clearing participant may be a legal entity that has the current status of a KACC member in any category, assigned to it in accordance with the internal document of KACC – Regulations on Membership;</li> <li>2) To be granted the status of a clearing participant in any exchange market, a candidate must:</li> </ol>

		<ul style="list-style-type: none"> <li>✓ comply with the capital adequacy and liquidity standards established by the authorized body of the state in accordance with the legislation of which the candidate is established, for three consecutive completed calendar months prior to the date of filing the application for assignment of the status of a clearing participant;</li> <li>✓ comply with the requirements of KACC's internal documents applicable to a KACC member of the relevant category;</li> <li>✓ have the ability to connect to the eTransfer.kz electronic document exchange system;</li> <li>✓ have a rating not lower than the level established by this Regulation, if such a requirement is established by Article 9 of the Regulation or paragraph 4 of this Article;</li> <li>✓ comply with the standards (requirements) for the adequacy of equity capital and liquidity established by the authorized body of the state of registration of the clearing participant as a legal entity;</li> <li>✓ comply with the requirement to have an appropriate risk management and internal control system, as described in paragraph 2 of Article 12 of the Regulation on Clearing Participants.</li> </ul> <p>Fair and open access to KACC services is based on the fact that the above criteria and requirements are the same and apply to all clearing participants.</p>
<p><i>Criterion 2</i></p> <p>An FMI's participation requirements should be justified by considerations of the safety and efficiency of the FMI and the markets it serves, should be tailored to and proportionate to the FMI's specific risks, and should be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should strive to establish the least restrictive access requirements under the circumstances.</p>	<p>Fulfilled</p>	<p>Requirements to KACC clearing participants address the risk management associated with CCP activities, ensuring the safety and efficiency of markets. Many clearing participant requirements are tailored to regulatory requirements that directly apply to clearing participants. For example, the requirement that clearing participants maintain sound financial standing and adhere to strict anti-money laundering procedures reflects the public policy objective of the regulator's requirements for financial intermediaries to reduce systemic risk and protect client interests. KACC's requirement to comply with these conditions is driven by the need to mitigate risks in clearing agreements and, thus, ensure the reliability of the markets it serves. Additional clearing participant requirements 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. For example, conducting client transactions requires an appropriate license allowing the participant to conduct transactions other than on their own behalf (a brokerage license or a securities manager license). Financial stability</p>

		<p>requirements are established for both banking and non-banking organizations.</p> <p>There are differences in the requirements for different types of clearing participants (banks, financial companies, non-residents), due to legislation and the specifics of the business being carried out (for example, there are differences in the composition of the requested reports).</p> <p>The criteria for participation, including restrictions on participation, are regulated by the Clearing Rules, which are published in the public domain on the Internet resource KACC</p>
<p><i>Criterion 3</i></p> <p>An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures to ensure the suspension of participation and the orderly exclusion of a participant that has violated or ceased to comply with the participation requirements.</p>	<p>Fulfilled</p>	<p>Continuous monitoring of clearing participants' compliance with access criteria is carried out through the monitoring of financial and non-financial information about the 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 divisions) and public information posted in information and analytical resources and 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 and including complete termination of clearing services.</p> <p>Grounds for applying such measures may include, but are not limited to, failure to fulfill obligations, license revocation, violation of mandatory operating standards, unprofitable operations, and other signs of a sustained deterioration in financial standing. The procedures and procedures for interaction between divisions in implementing and restricting access to clearing services are defined in KACC's internal documents.</p> <p>The criteria for participation, including restrictions on participation, are regulated by the Clearing Rules, which are published in the public domain on KACC's official website</p>
<p><b>19. Multi-level structure of participation</b></p> <p><i>An FMI should identify, monitor, and manage the material risks posed to the FMI by its tiered participation structure.</i></p> <p>Currently, only professional securities market participants can act as clearing participants. The clearing services agreement does not provide for a tiered participation structure.</p> <p><b>The principle does not apply</b></p>		

<p><b>20. IFR links</b>  <i>An FMI that establishes links with one or more FMIs should identify, monitor, and manage the risks created by those links.</i></p> <p><b>Compliant</b>  <b>Criteria 3-9 do not apply to KACC.</b></p>		
<p><i>Criterion 1</i>  Before establishing links, and on an ongoing basis thereafter, an FMI should identify, monitor, and manage all potential sources of risk arising from the establishment of links. Linkages should be designed to enable each FMI to comply with the other principles set out in this report.</p>	<p>Fulfilled</p>	<p>KACC interacts with the Central Depository, which carries out settlements on securities and cash based on the results of clearing and the provision of services by the central depository in accordance with local legislation and agreements.  KACC interacts with the Exchange and carries out clearing and settlements for transactions concluded on the Exchange, in accordance with local legislation and agreements.</p>
<p><i>Criterion 2</i>  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>Fulfilled</p>	<p>Interaction with the Central Depository and the Exchange is carried out on the basis of agreements (contracts) on interaction.  Agreements (contracts) provide for liability of the parties for improper performance of obligations</p>
<p><i>Criterion 3</i>  Linked CDs must assess, monitor, and manage the credit and liquidity risks they create for each other. Loans extended by CDs to each other must be fully secured by high-quality collateral and subject to established limits.</p>	<p>Not applicable</p>	<p>Not applicable to KACC.  KACC does not perform functions of a central depository.</p>
<p><i>Criterion 4</i>  Pre-transfers of securities between linked CDs should be prohibited or, at a minimum, reverse transfers of pre-transferred securities should be prohibited until the first transfer becomes final.</p>	<p>Not applicable</p>	<p>Not applicable to KACC.  KACC does not perform functions of a central depository.</p>
<p><i>Criterion 5</i>  An investor's CD should establish a link with an issuer's CD only if such an arrangement</p>	<p>Not applicable</p>	<p>Not applicable to KACC.  KACC does not perform functions of a central depository.</p>

ensures a high level of protection of the rights of the investor's CD participants.		
<i>Criterion 6</i> An investor's CD that uses an intermediary to communicate with an issuer's CD must measure, monitor, and manage the additional risks (including depository, credit, legal, and operational risks) created by the use of an intermediary.	Not applicable	Not applicable to KACC. KACC does not perform functions of a central depository.
<i>Criterion 7</i> Before establishing a link with another CCP, the CCP must identify and manage the potential impact of a default involving the linked CCP. If a link is established between three or more CCPs, each CCP must identify, assess, and manage the risks associated with 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 posed by the linked CCP and its participants (if any) in full and with a high degree of confidence, without reducing the ability of the CCP 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 relationships to ensure the scalability and reliability of its IT technologies and associated resources.	Not applicable	Not applicable to KACC. KACC does not perform the functions of a trade repository
<b>21. Efficiency and effectiveness</b> <i>An FMI should ensure that the requirements of the participants it serves are met efficiently and effectively.</i> <b>Compliant</b>		

<p><i>Criterion 1</i></p> <p>An FMI's operations should be designed to take into account the needs of its participants and the markets it serves; in particular, with respect to the choice of clearing and settlement scheme, the operational structure, the range of products cleared, settled, or recorded, and the use of technology and procedures.</p>	<p>Fulfilled</p>	<p>Clearing participants' needs are discussed in working groups, including those comprised of market participants, as well as at meetings held with clearing participants when implementing new technologies, rules, procedures, products, and services. Additionally, meetings with clearing participants are held quarterly to discuss innovations and proposals for optimizing KACC operations.</p> <p>The assessment of compliance with the needs of clearing participants is carried out within the framework of the existing feedback procedure.</p>
<p><i>Criterion 2</i></p> <p>An FMI must have clearly defined objectives and targets that are measurable and achievable, for example, in relation to minimum service level targets, risk management and business priorities.</p>	<p>Fulfilled</p>	<p>KACC's goals and objectives are described in the Action Plan, approved by KACC's Board of Directors annually. All goals are measurable and achievable. Key objectives include improving risk management and optimizing and harmonizing business processes based on an enhanced IT platform.</p> <p>Every year KACC's Management Board evaluates the level of achievement of set goals and the fulfillment of set objectives</p>
<p><i>Criterion 3</i></p> <p>The FMI should have established mechanisms for regular review of its effectiveness and efficiency.</p>	<p>Fulfilled</p>	<p>KACC regularly reports to the Board of Directors and the Management Board of the parent organization on the implementation of the action plan.</p>
<p><b>22. Message transmission procedures and standards</b></p> <p><i>An FMI should use, or at a minimum ensure interoperability with, international messaging procedures and standards to ensure efficient payments, clearing, settlement, and accounting.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i></p> <p>An FMI should use, or at a minimum ensure interoperability with, international messaging procedures and standards.</p>	<p>Fulfilled</p>	<p>KACC utilizes the international SWIFT system for settlements and payments. KACC uses SWIFT standards for message transfer. KACC systems also utilize SWIFT standards for IT interactions.</p>
<p><b>23. Disclosure of rules, key procedures and market data</b></p> <p><i>An FMI must have clearly stated, comprehensive rules and procedures and provide sufficient information to ensure participants clearly understand the risks, fees, and other material costs associated with participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</i></p> <p><b>Compliant</b></p>		
<p><i>Criterion 1</i></p>	<p>Fulfilled</p>	<p>Disclosure is carried out in cases provided for by current legislation.</p>

<p>An FMI should adopt clearly defined and comprehensive rules and procedures that are fully disclosed to its participants. The relevant rules and key procedures should be publicly disclosed.</p>		<p>Documents governing the rules and procedures include the Clearing Rules, clearing regulations, and forms used in document flow with clearing participants and approved by KACC's governing bodies. These documents are publicly available on KACC's official website.</p> <p>KACC Clearing Rules are published online. The relevant rules and procedures are fully accessible to all clearing participants and interested parties, including the public. KACC staff are available to answer clearing participants' questions regarding the Clearing Rules and procedures.</p>
<p><i>Criterion 2</i></p> <p>An FMI should publicly disclose clearly articulated descriptions of the system's structure and operations, as well as the rights and obligations of the FMI and its participants, in a manner that enables participants to assess the risks associated with participating in the FMI.</p>	<p>Fulfilled</p>	<p>Disclosure of information by KACC is carried out in cases stipulated by current legislation.</p> <p>The recipients of information include KACC clients, including clearing participants, KACC shareholders, surveillance 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 the activities of this system, as well as other relevant decisions of KACC's management bodies are subject to disclosure or provision.</p> <p>The procedure and actions performed by KACC in carrying out clearing activities are described in the Clearing Rules, posted on the Internet resource KACC.</p> <p>The clearing rules establish the possibilities for making key decisions that affect the operation of KACC's.</p>
<p><i>Criterion 3</i></p> <p>An 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>Fulfilled</p>	<p>As part of the new project's launch, clearing participants are receiving informational mailings, information (instructions) are being posted on KACC's website, and consultations and clarification of new developments are being provided through group and individual meetings, conference calls, and actions that clearing participants must take to ensure continued proper operation.</p> <p>To ensure that clearing participants understand the rules and procedures, KACC posts information materials on its website explaining the rules and procedures of KACC.</p> <p>In the event that any actions are required from a clearing participant, KACC verifies and records the correctness and timeliness of these actions by all clearing participants.</p>

		In the event that a clearing participant is identified whose behavior demonstrates a lack of understanding of KACC's rules and procedures, KACC conducts consultations with such a clearing participant, based on the results of which the information materials posted on the Internet resource are amended and supplemented.
<p><i>Criterion 4</i></p> <p>An FMI should publicly disclose the fees for individual services it offers and its discount policies. An FMI should provide a detailed description of the services it offers for a fee for comparison purposes.</p>	Fulfilled	KACC tariffs for the services provided are posted on KACC's website
<p><i>Criterion 5</i></p> <p>An FMI should regularly complete and publicly disclose responses in accordance with the IOSCO-CC Disclosure Principles for Financial Market Infrastructures. An FMI should also, at a minimum, disclose basic transaction volume and volume data</p>	Fulfilled	<p>KACC and KASE publicly disclose quantitative information, including:</p> <ul style="list-style-type: none"> <li>✓ on the current risk parameters used to calculate collateral requirements;</li> <li>✓ on the results of trades, including trading volumes, the number of completed transactions, various prices (settlement, market, indicative, etc.) for traded instruments, the volume of open positions for each futures/option;</li> <li>✓ on the progress of trading on instruments during the day with a 15-minute delay.</li> </ul> <p>In addition, KACC publicly discloses a significant amount of information, including:</p> <ul style="list-style-type: none"> <li>✓ description of services/products provided;</li> <li>✓ description of the risk management system;</li> <li>✓ requirements for clearing participants;</li> <li>✓ main information on the policy for placing own funds and collateral for clearing participants.</li> </ul> <p>The information is posted on the websites of KACC and KASE in Kazakh, Russian, and English</p>
<p><b>24. Disclosure of market data by trading repositories</b></p> <p><i>The trade repository shall ensure that data are made available to relevant competent authorities and the public in a timely and accurate manner in accordance with their needs.</i></p> <p><i>KACC does not perform trade repository functions.</i></p>		

**The principle does not apply**