

# **AIX CSD Procedures**

August 2019

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## Interpretation and Construction

### Interpretation

*Definitions incorporated by reference: Capitalized, bolded and italicised terms defined in the AIX CSD Business Rules of the AIX Central Securities Depository Limited have the same meaning when used in these Procedures, unless expressly stated or the context requires otherwise.*

*The referred time and periods of time, timing for notices or others in these Procedures shall be calculated according to the local time of Nur-Sultan.*

*In these **Procedures**, the following terms bear the following meanings:*

**Alternative Currency** - currency, in which the **Participant** (a) delivers the money for the **Multicurrency Settlement** or (b) receives the money after the **Settlement** takes place;

**Base Currency** – currency, in which the Securities transaction is matched in **AIX** trading system on the trade date;

**Multicurrency Settlement**– the execution of **Settlement** of a **Securities Transaction** supported by agent of the **Participant**, where the **Participant** delivers or receives **Alternative Currency** for/from **Settlement** while the **Settlement** of the **Securities Transaction** in the **Depository System** is performed in the **Base Currency** in accordance with **AIX CSD Rules** and **AIX CSD Procedures**;

**Participant's Identification Code** means a unique identification code assigned to a **Participant** in the **Depository System**.

**ISIN** means an International Securities Identification Number, unique non-repeatable identification number which under the international standards is assigned to securities with structure as defined with ISO 6166.

**SFTP** means Secure File Transfer Protocol, provided by **AIX**.

These **Procedures** are in force from 1<sup>st</sup> July 2019.

**AIX CSD** may from time to time amend these. Amendments to these Procedures shall be published by **Notice** and shall become binding on **Participants** at the time specified in such **Notice**.

## AIX CSD Procedures

### Section 1: Introduction and General Provisions

#### Procedure for Rule 1.1

#### Procedures for Rule 1.1 – Definitions

1. Procedure for the term **Borrower** -Criteria for qualification that must be met by a **Person** to act as **Borrower**:
  - The Person shall be a **Participant-Member** registered as Market-Maker for a respective **Security** on **AIX** and was granted authorization from **AIX CSD** to act as **Borrower** in accordance with these **Procedures** and the authorization from **AIX CSD** to act as **Borrower** is effective; or
  - The Person shall be a **Participant** and was granted authorization from **AIX CSD** to act as **Borrower** in accordance with these **Procedures**, the authorization from **AIX CSD** to act as **Borrower** is effective and **Settlement Fail** may occur or has occurred on the **Settlement Day** for the respective **Participant** due to that **Participant's**, acting in good faith, failing to deliver **Admitted Product**.
2. Procedure for the term **Lender**- Criteria for qualification that must be met by a Person to act as **Lender**:
  - The **Person** has a stock of **Admitted Product** listed on **AIX** held on **Account** with a **Participant**, and
  - The **Person** agrees to lend his available stock of **Admitted Product** to **Participant** of **AIX CSD** in accordance with **AIX CSD Rules** and **Procedures**, and
  - The **Person** is approved by **AIX CSD** as a **Lender** and the authorization from **AIX CSD** to act as **Lender** is effective.

#### Procedure for Rule 1.5.2 and Rule 1.5.6

#### Procedures for Rule 1.5.2 and 1.5.6 – Notice Procedure

1. A reference to **Notifying a Person** or giving a **Person Notice** includes a reference to:
  - (a) giving notice of those matters to the **Person**; or
  - (b) transmitting a message containing those matters to the **Person**.
2. A message that is transmitted by **AIX CSD** or a **Participant** will be deemed to be received when the message is made available for collection in the **Depository** facility for passing messages between **AIX CSD** and **Participants**.
3. If any **Rule** or **Procedure** requires or permits giving of notice of matters to a **Person**, the **Rule** or **Procedure** requires or permits the giving to that **Person** of a written document containing those matters.

4. The **AIX CSD** may give **Notice** to any **Person** by any of the following methods:
  - (a) (if to a natural person) by delivering it to the **Person** personally;
  - (b) leaving it at or by sending it by courier or post to the address of the recipient last notified to the **AIX CSD**;
  - (c) sending it by facsimile to the recipient's facsimile number last notified to the **AIX CSD**;
  - (d) where the **Notice** is a circular or bulletin addressed to a class of **Persons**, delivering or communicating the circular or bulletin by any means permitted under this **Procedure**;
  - (e) where applicable, by sending it through **SFTP** and/or any alternative way to exchange files agreed with **AIX CSD**;
  - (f) where applicable, by communicating it through the **Depository System**;
  - (g) by making it publicly available on [www.aix.kz](http://www.aix.kz) ;
  - (h) specific email by any method which identifies a natural **Person** or natural **Person's** title as addressee; or
  - (i) broadcast email by any method which identifies the addressee and which, having regard to all the relevant circumstances at the time, was as reliable as appropriate for the purposes for which the information was communicated
  - (j) any other manner permitted by law.
5. A **Participant** or a **Responsible Person** may give **Notice** to the **AIX CSD** by any of the following methods:
  - (a) as regulated in the **Rule 4.6**;
  - (b) delivering it to the CEO of **AIX CSD** personally;
  - (c) leaving it at or by sending it by courier or post to 55/15 Mangilik El, Astana, 010000, Kazakhstan, Nur-Sultan, Republic of Kazakhstan marked to the attention of the CEO, AIX Central Securities Depository Limited;
  - (d) sending it through **SFTP** and/or any alternative way to exchange files agreed with **AIX CSD**;
  - (e) sending it by facsimile to +7 7172 235305 to the attention of CEO of **AIX CSD**, or
  - (f) specific email addressed to [ptd@aix.kz](mailto:ptd@aix.kz).
6. Where **Notice** is given in accordance with this **Procedure**:
  - (a) courier and personal delivery is taken to be received at the time of delivery;

- (b) facsimile is taken to be received when the sender's facsimile machine indicates a successful transmission to the facsimile number;
  - (c) email is taken to be given as the email enters the recipient's information system, unless a notice of non-delivery or redirection has been received by the sender;
  - (d) when posted on [www.aix.kz](http://www.aix.kz) ;
  - (e) when transmitted through the **Depository System, SFTP** and/or any alternative way to exchange files agreed with **AIX CSD**, where the reference to the transmission day and time may be obtained.
7. A **Notice** given in accordance with this **Procedure** is deemed to be received by that **Person** at the time it is taken to be given to that **Person**.
  8. Any **Notice** to be given by a **Participant** to the **AIX CSD** under **Rule** 2.6 must be given to the CEO of **AIX CSD** by **SFTP** or by email at [ptd@aix.kz](mailto:ptd@aix.kz) .
  9. A Participant must acquire and maintain an operating e-mail system for the purposes of delivering and receiving **Notices** to/by **AIX CSD** and technology environment to communicate **Notices** by **SFTP**.
  10. Any **Notice** to be given by a **Participant** to the **AIX CSD** under this **Procedures** requested to be delivered by **SFTP** must be delivered by **SFTP** only. In exceptional cases, if primary **SFTP** service is not available, due to various reasons including technical, **Participant** shall **Notify AIX CSD** of the non-availability of the **SFTP** service and use alternative way to exchange files by use of public or enterprise secure email service, recommended by **AIX CSD**. The **Participant** shall refer to **AIX CSD** for instructions on the alternative way of exchanging files.

## Section 2: Participants

### Procedures for Rule 2.3.1

#### Procedures for Rule 2.3.1 - Application Procedure

1. A **Person** applying for **Participation** in the **Depository System** must complete and deliver to the **AIX CSD** an application form CSD- PAF, together with:
  - (a) signed **Participation Agreement**, if a form as provided by **AIX CSD**;
  - (b) the documents requested by **AIX CSD** as stated in the CSD-AD Form;
  - (c) **Participant's** Power of Attorney to **Persons** with authorisations (CSD-PoA Form);
  - (d) details of any legal or arbitration proceedings active, threatened or pending against the **Applicant** or any member of its group which may have a significant effect on the reputation of the **Applicant**;
  - (e) details of any adverse or potentially adverse matters in respect of the **Applicant** which have been brought to the attention of any relevant regulatory authorities during the last 6 years (where possible please provide copies of any relevant correspondence in relation to such matters); and
  - (f) any other information which the **Applicant** thinks may be relevant to the **AIX CSD** when considering the application.
2. The **AIX CSD** may require additional information in relation to an application or any of the information or supporting documentation filed in support of the application.
3. An **Applicant** must submit information in typed format, in as much detail as the **Applicant** thinks appropriate to support the application.
4. Every document required to be provided to **AIX CSD** must be in the English language or, if not in English, and if so required by **AIX CSD**, be accompanied by a certified English translation and, in such case, the English translation will prevail unless the document is a constitutional, statutory or other official document.
5. The **AIX CSD** will keep confidential all information provided to it by the **Applicant** in relation to its application, unless regulated differently in **Law** or in the Participation Agreement.
6. An application for participation in the **Depository** must be in the form, and include the confirmations determined by the **AIX CSD** from time to time. An **Applicant** should request the CSD-PAF form and the **Participation Agreement** from the **AIX CSD**.



## Procedures for Rule 2.5.1

### Procedures for Rule 2.5.1- Ongoing Technical Requirements Procedure

1. The ongoing technical requirements for connectivity to the **Depository System** are the following:
  - (a) Internet connection with public (white) IP-address Minimum 512 Kbps per every session
  - (b) Existence of an internal IT department or external IT support
  - (c) Presence of a Disaster Recovery site
  - (d) Presence of a Business continuity plan

## Procedures for Rule 2.5.1 (f)

### Procedures for Rule 2.5.1 (f) – Procedures for record keeping

1. Each **Participant** must maintain accounting and other records containing complete and accurate records and explanations of the affairs and transactions of its **Business**. The books, records and explanations must be:
  - (a) kept separate and distinct so as to distinguish the books, explanations and records for its **Business** related to the **Depository** from the books, explanations and other records of any other business in which the **Participant** may be involved;
  - (b) sufficient to comply with the requirements of the **Law** governing the maintenance of records;
  - (c) otherwise in the form and with the content prescribed by **Procedures**; and
  - (d) be retained for a period of 6 years following the end of the financial year to which they relate.
2. The requirements of this **Procedure** are not exhaustive, and it is the obligation of each **Participant** to ensure that the records and reports maintained are sufficient having regard to the nature of the **Participant's Business**. The detailed requirements of this obligation may vary according to, amongst other things:
  - (a) the manner in which the business of each **Participant** is structured, organized and managed;
  - (b) the size of the business of each **Participant**; and
  - (c) the nature, volume and complexity of the transactions and commitments of each **Participant**.

The minimum content and frequency of the financial reports of any **Participant Non-Member** is set to be equal to what is regulated as requirement in Section 3

of AIFC Market Rules, regardless of the applicability of AIFC Market Rules to the **Participant Non-Member** themselves.

3. The financial records must be made as soon as practicable after the events to which they relate.
4. All records and reports, which a **Participant** is required to maintain under this **Procedure** must be kept in writing and in the English language or in a manner which will enable them to be readily accessible by the **AIX CSD** and readily converted into writing in the English language at the cost of the **Participant**. The **AIX CSD** may direct a **Participant** to convert records into writing and into English as is required in the **Procedure** for the **Rule** 2.3.1 No. 4 That direction must be complied with by the time specified by the **AIX CSD** when giving the direction.
5. The location at which the records and reports required by this **Procedure** are kept must be notified to the **AIX CSD**.

#### *Procedures for Rule 2.9.3 (d)*

#### **Procedures for Rule 2.9.3 (d) – Responsible Person Procedures**

1. Each **Responsible Person** must deliver to the **AIX CSD**, on or before the date specified by the **AIX CSD**, certification as to the **Participant's** compliance with applicable **Law**, in CSD-RPCC Form and signed by the Responsible Person.

## Section 3: Depository Accounts

### *Procedures for Rule 3.1.2.*

#### Procedures for Rule 3.1.2 –Account types

1. **AIX CSD** can open the following **Accounts** for the **Participant** into the **Depository System**:
  - House **Account** is the **Account** where the **Participants** proprietary holdings of **Admitted Products** are recorded.
  - Domestic Omnibus **Account** is opened in the name of a **Participant** for the account of multiple **Clients** which are citizens of the Republic of Kazakhstan. The identity of the **Clients** of the **Participant** whose **Securities** are registered on the Domestic Omnibus **Account** is not presented in the **Depository System**. The owner of **Securities** is the **Client** (or client of a client) and those **Securities** are segregated from the assets of the **Participant**. The **Participant** is liable for the accuracy and completeness of data required for the purpose of identification of **Clients** which are citizens of the Republic of Kazakhstan whose **Securities** are registered on Domestic Omnibus **Account**.
  - Foreign Omnibus **Account** is opened in the name of a **Participant** for the account of multiple **Clients** which are not citizens of the Republic of Kazakhstan. The identity of the **Clients** of the **Participant** whose **Securities** are registered on the Foreign Omnibus **Account** is not presented in the **Depository System**. The owner of **Securities** is the **Client** (or client of a client) and those **Securities** are segregated from the assets of the **Participant**. The **Participant** is liable for the accuracy and completeness of data required for the purpose of identification of **Clients** which are not citizens of the Republic of Kazakhstan whose **Securities** are registered on Foreign Omnibus **Account**.
  - Settlement account is used for settlement purposes and is also the account described as transitory settlement **Account** in **Section 5** of **AIX CSD Business Rules**.
  - Market Maker Account is used when the **Participant** is acting as market maker on **AIX**.
  - Nominee Account is a securities **Account** opened in the name of a **Participant** where positions for the account of a **Client** are registered. The holder of the **Securities** on this **Account** is never the **Participant**, but the **Person** for whose account the **Participant** manages the respective **Securities**. One **Participant** may open one Nominee **Account** for one **Client**. One **Client** can have several

Nominee **Accounts** with several **Participants**. The Nominee **Account** is associated with the respective **NIN** of the **Client**.

### Procedures for Rule 3.1.2 - Account opening

1. **AIX CSD** can open the following **Securities Accounts** for the **Participant** within the procedure to create a **Participant** into the **Depository System**:
  - House Account,
  - Domestic Omnibus Accounts
  - Foreign Omnibus Account
  - Settlement Account
  - Market Maker Account.
2. The **Participant** submits the CSD-PAOF Form for opening of the above stated **Accounts**.
3. After the **Participant** is created into the **Depository System**, **Accounts** for the **Participant** into the **Depository System** can be created by **AIX CSD** either individually for a Client or with bulk upload of **Accounts**. Requests for additional **Accounts** must be made by submitting an account opening request in a form prescribed by **AIX CSD** from time to time.
4. **Participant** shall, before entering into any agreement with or opening any **Account** or while acting upon the instruction of **Client**:
  - make such inquiries as may be necessary and exercise due care and caution in ascertaining the genuineness of the intending **Client** by carrying out appropriate Know Your Customer due diligence;
  - scrutinize and ascertain the authenticity of the documents produced/presented by the **Client** for opening the **Account**.
5. To open a Nominee **Account**, a **Participant** should fill in a CSD-IAO Form and send the Form to **AIX CSD** through **SFTP**. After it has been established that the request is duly and fully filled in, a Nominee **Account** is opened for the **Participant** on the basis of the data stated in Form by the **Participant**. The **Participant** is fully responsible for the accuracy of the data for the **Client** stated in the CSD-IAO Form. A Nominee **Account** is opened in the **Depository System** by **AIX CSD** within two **Business Days**. After Nominee **Account** is opened for the **Participant**, **AIX CSD** confirms the account opening to the Participant. In case **AIX CSD** rejects opening the requested Nominee **Account** in the **Depository System**, **AIX CSD** will **Notify** the **Participant** within two **Business Days** from the day of the receipt of the request.
6. Alternatively, for bulk upload of Nominee **Accounts** for the **Participant's Clients** into the **Depository System**, the data has to be sent to **AIX CSD** as Microsoft Excel file in format as specified in CSD-BUNA Form. The **Participant** should fill in the CSD-BUNA Form, supplemented with a request of the **Participant** for **Accounts** opening, stating the number of **Accounts** to be opened, duly signed by **Authorised Signatory** and send the Form and the supplementing request to **AIX CSD** through **SFTP**. After it has been established that the CSD-BUNA Form is fully and correctly filled in, Nominee **Accounts** are opened for the **Participant** on the basis of the data stated in CSD-BUNA Form. The Nominee **Accounts** are created in the **Depository System** with **AIX**

**CSD** within three **Business Days**. After Nominee **Accounts** are opened for the **Participant**, **AIX CSD** **Notifies** the **Participants** through **SFTP**. In case **AIX CSD** rejects opening one or more of the requested Nominee **Accounts** in the **Depository System**, **AIX CSD** **Notify** the **Participant** within three **Business Days** from the day of the receipt of the request.

7. **AIX CSD** can request KYC documentation and perform due diligence check at any stage of the Nominee **Account** opening process, as **AIX CSD** deems necessary. The **Participant** may provide to **AIX CSD** request for Nominee **Account** opening only of **Persons** for whom the **Participant** has completed satisfactory KYC procedure and has accepted them as **Clients**.
8. If a **Participant** is setup into the **Depository System** without a Domestic Omnibus **Account**, the **Participant** can request **AIX CSD** to open a Domestic Omnibus **Account** in the name of the **Participant** at any time. The Domestic Omnibus **Account** is opened by **AIX CSD** after an application form is submitted by the **Participant**, subject to the necessary preconditions being met.
9. If a **Participant** is setup into the **Depository System** without a Foreign Omnibus **Account**, the **Participant** can request **AIX CSD** to open a Foreign Omnibus **Account** in the name of the **Participant** at any time. The Foreign Omnibus **Account** is opened by **AIX CSD** after an application form is submitted by the **Participant**, subject to the necessary preconditions being met.
10. If a **Participant** is setup into the **Depository System** without a Market Maker **Account**, the **Participant** can request **AIX CSD** to open a Market Maker **Account** in the name of the **Participant** at any time. The Market Maker **Account** is opened by **AIX CSD** after an application form is submitted by the **Participant**, subject to the necessary preconditions being met.

### Procedures for Rule 3.1.2 - Account maintenance

1. The **Participant** is obliged to use the **Account** according to the intended purpose of the **Account** type.
2. The **Accounts** are maintained by **AIX CSD**. If for whatever reason an **Account** needs editing on the **Client's** data recorded on the **Account**, the **Participant** may send request to **AIX CSD** requesting changes on the data recorded on an **Account** by using the same form as the account opening form for the respective **Account** and indicating the requested changing data.
3. The **Participant** can use the **Accounts** in accordance with the law and the level of the services the **Participant** can provide to its **Clients** or when acting as principal, which must be aligned with the licences that the **Participant** holds in any relevant jurisdiction and the **Participant** must not at any time take actions that the **Participant** is not licensed or authorised for.
4. The procedure for maintenance of the **Accounts** in the **Depository System** is further described in *AIX CSD Depository System User Manual for AIX CSD Participants*.
5. **AIX CSD** can request KYC documentation and perform due diligence check on the **Clients** of a **Participant** at any time after the **Account** opening process, as **AIX CSD** deems necessary.

### Procedures for Rule 3.1.3

#### Procedures for Rule 3.1.3 - Overnight balances of Admitted Product in a transitory Settlement Account

1. Overnight balances of **Admitted Product** in a transitory Settlement **Account** are permitted only if and when **AIX CSD** issues a **Notice** regulating the conditions of the permit for overnight balances on such transitory Settlement **Account**.

### Procedures for Rule 3.3.1

#### Procedures for Rule 3.3.1 – Crediting the Account at the Settlement bank by the Participant

1. **Participant** is obliged to credit **AIX CSD Nominee** account at the **Settlement Bank** with the balance of money enough to meet its net **Settlement** obligations for the **Settlement Day** by 11:00 am for each relevant settlement currency. For the avoidance of doubt, to credit **AIX CSD Nominee** account at the **Settlement Bank** with the balance of money enough to meet net **Settlement** obligations means that the money is credited and recorded on **AIX CSD Nominee** account at the **Settlement Bank**. Any money transfer which is not recorded on **AIX CSD Nominee** account at the **Settlement Bank** is not recognized as crediting **AIX CSD Nominee** account at the **Settlement Bank**. With regards to **Multicurrency Settlement**:
  - a. the **Participant** is responsible for crediting the **AIX CSD Nominee Account** at the **Settlement Bank** with the balance of money enough to meet its settlement obligations for **Multicurrency Settlement** for the **Settlement Day** in the **Alternative Currency**;
  - b. agent delivering money in **Base Currency** for **Settlement** for the **Participant** is recognized as the **Participant** himself delivering money for **Settlement** provided that settlement facilitation agreement approved by **AIX CSD** is signed by the **Participant** and is effective;
  - c. the **Participant** must take into consideration
    - i. that the **Depository System** shall not perform netting of the settlement positions of the **Participant** in the **Alternative Currency** for the **Multicurrency Settlement** but in the **Base Currency**;
    - ii. when calculating the balance of money of the **Participant** to be credited on **AIX CSD Nominee** for meeting **Participant's** net **Settlement** obligations for the **Settlement Day** for each relevant settlement currency, that the amount of money to be provided by the **Participant** to meet its settlement obligations as **Alternative Currency** for **Multicurrency Settlement** shall be added to the amount of money needed for conducting the regular/non-**Multicurrency Settlement** for the respective currency;
    - iii. that the delivery of the **Alternative Currency** to the agent for **Multicurrency Settlement** has priority in time over the regular/non-**Multicurrency Settlement** for the respective currency.



**AIX CSD** may issue **Notice** further specifying the conditions of the money transfer that need to be met by the **Participant** for crediting the **AIX CSD Nominee** account at the **Settlement Bank**.

2. **AIX CSD** informs the **Participant** by way of **Notice** on the designated **Settlement Bank**, the relevant account number for each relevant settlement currency for Stock Exchange **Transactions Settlement** and Off-Exchange **Transactions Settlement** and other details relevant for the transfer of money.
3. If the **Participant** fails to credit **AIX CSD Nominee** account at the **Settlement Bank** with the balance of money enough to meet its net **Settlement** obligations for the **Settlement Day** for the relevant settlement currency by 11:00 am (or such later time prior to the Main Settlement cycle at a risk of the **Participant** to fail in the **Settlement** because of late delivery of money), **AIX CSD** will process the Main Settlement cycle for the **Settlement Day** according to the money available on the account with the **Settlement Bank** prior to the start of the Main Settlement cycle and the **Settlement** of the remaining **Transactions** will be differed. With regards to **Multicurrency Settlement**, agent failing to deliver money for **Settlement** for the selling **Participant** is recognised as **Participant** himself failing to deliver money for **Settlement** provided that settlement facilitation agreement approved by **AIX CSD** is signed by the **Participant** and is effective, and the **Participant** failed to deliver timely the appropriate amount of money for **Multicurrency Settlement** in **Alternative Currency**.
4. The **Participant** failing to fully meet its net **Settlement** obligations in the Main Settlement cycle shall credit the relevant **AIX CSD Nominee** account at the **Settlement Bank** with the balance of money enough to meet the rest of its net **Settlement** obligations for the **Settlement Day** for the relevant settlement currency as soon as possible but not later than 05:30pm on that **Settlement Day**. **AIX CSD** may process the Late **Settlement** cycle for the **Settlement Day** several times during the day according to the intraday credits of the **AIX CSD Nominee** account at the **Settlement Bank** on that **Settlement Day**. If the **Participant** fails to credit **AIX CSD Nominee** account at the **Settlement Bank** with the balance of money enough to meet the rest of its net **Settlement** obligations for the **Settlement Day** by 05:30pm on that **Settlement Day**, **Settlement Fail** will occur for the **Transactions** for which the money was insufficient.

#### Procedures for Rule 3.3.2

#### Procedures for Rule 3.3.2 – Money resulting from Settlement

1. After the Main **Settlement** cycle for the **Settlement Day** occurs on that **Settlement Day**, money as result of the settlement process is available for transfer to the **Participant**. Where settlement facilitation agreement approved by **AIX CSD** is signed by the **Participant**, money deriving from **Multicurrency Settlement** is transferred to the agent by **AIX CSD** in accordance with that agreement. By signing settlement facilitation agreement approved by **AIX CSD** and by this **Procedure** the **Participant** accepts that the **Participant** issued standing instruction to **AIX CSD** for delivering money from **Multicurrency Settlement** for the respective **Security** to the agent in accordance with the terms set in the agreement for the period of validity of the

agreement. With regards to **Multicurrency Settlement** the **Participant** must take into consideration:

- that the **Depository System** shall not perform netting of the settlement positions of the **Participant** in the **Alternative Currency** for the **Multicurrency Settlement** but in the **Base Currency**;
  - that the delivery of the **Alternative Currency** from the agent for **Multicurrency Settlement** happens after the regular/non-**Multicurrency Settlement** for the respective currency.
2. If some **Participant** failed to meet its **Settlement** obligations in the Main Settlement cycle, but the **Settlement** occurs during the **Settlement Day**, money as result of the settlement process is available for transfer to the **Participant** or to the agent of the **Participant** as regulated in No.1 as soon as possible during the day but not later than 02:00 pm for KZT and no later than 12:00 pm for other currencies on that **Settlement Day**. The cut-off time is subject to the **Market Notice** where AIX CSD reserves the right to execute the payment order the same day subject to the queue of payments.
  3. Requests for withdrawal of money to **Participant** from an **AIX CSD Nominee** account at the **Settlement Bank** must be given by a **Participant** by withdrawal request **Notice**, through **SFTP** by submitting CSD -WRN Form.
  4. **AIX CSD** will process the withdrawal request **Notice** without any delay and instruct the **Settlement Bank** to debit **AIX CSD Nominee** account and to transfer money from **AIX CSD Nominee** account for crediting the appropriate **Participant's** bank account.
  5. **AIX CSD** may issue **Notice** further specifying the conditions for money transfers to a **Participant** or to the agent of a **Participant** as regulated in No.1 for debiting the **AIX CSD Nominee** account at the **Settlement Bank**, including timing for receipt of the requests by **Participant** and the appropriate response time from **AIX CSD** for processing of the requests for transfer of funds, transfer fees that may apply for **Participant** and/or other.
  6. **Participant** must promptly inform **AIX CSD** by way of **Notice** through **SFTP** on any change of the **Participant's** bank account details for each relevant settlement currency.

#### Procedures for Rule 3.4.1

##### Procedures for Rule 3.4.1 - Account closure

1. Requests for closure of an **Account** must be made to **AIX CSD** by submitting an account closure request, through **SFTP**.
2. The following conditions must be satisfied before **AIX CSD** take action upon a request for **Account** closure:
  - (a) the balances in the **Account** must be zero; and
  - (b) there must be no outstanding **Instructions** in respect of the **Account**, including pending **Corporate Actions** and **Settlement Instructions**.



#### Procedures for Rule 3.5.1

### Procedures for Rule 3.5.1 -Lodgment of Securities

1. A **Participant** may request **Lodge Admitted Product** into an **Account** in that **Participant's** name by:
  - (a) giving **Notice** of a **Securities Lodge** Request to **AIX CSD** in the CSD- ETF Form **Notified** by **AIX CSD** specifying:
    - (i) the **ISIN** of the **Admitted Product** and the quantity of **Admitted Product** being **Lodged**;
    - (ii) the date of the proposed transfer;
    - (iii) the details of the **Account** into which the **Admitted Product** is to be **Lodged**; and
    - (iv) other details as specified in CSD- ETF Form, and
  - (b) transferring legal title to the **Admitted Product** to **Nominee** by sending a duly completed and executed instrument of transfer that complies with applicable requirement to the relevant **Securities Register** for that **Admitted Product** and, where applicable, providing a copy of that instrument to **AIX CSD**.
2. When **AIX CSD** receives confirmation that the **Admitted Product** has been transferred into the name of **Nominee** at the relevant **Securities Register** for the **Admitted Product**, **AIX CSD** will credit the **Admitted Product** to the **Account** of the **Participant** specified in the lodge request.
3. Upon successful completion of the **Lodge**, the **Participant** will be notified that the status of the **Lodge Transaction** is complete.
4. Where the **Lodge** is unsuccessful, all or in part, the **Participant** will be notified that the status of the **Lodge Transaction** is incomplete or failed.

#### Procedures for Rule 3.5.8

### Procedures for Rule 3.5.8- Deadline for transfer of Securities from transitory Settlement Account by the Participant

1. A **Participant** must transfer the balance of **Admitted Product** on his transitory Settlement **Account** to another **Account** not being a transitory Settlement **Account** in that **Participant's** name as soon as possible after the **Settlement** takes place, but not later than by the end of the day on the **Settlement Day** when his transitory Settlement **Account** was credited with the relevant **Admitted Product**.

#### Procedures for Rule 3.7.1

## Procedures for Rule 3.7.1 - Uplifting of Securities

1. A **Participant** may request the **Uplift** of **Admitted Product** from an **Account** in its name by:
  - (a) giving **Notice** of a **Securities Uplift** Request to **AIX CSD** in the CSD- ETF Form **Notified** by **AIX CSD** specifying:
    - (i) the **ISIN** of the **Admitted Product** and the quantity of **Admitted Product** being **Uplifted**;
    - (ii) the date of the proposed transfer;
    - (iii) the details of the **Account** from which the **Admitted Product** is to be **Uplifted**;
    - (iv) other details as specified in CSD- ETF Form, and
  - (b) providing **AIX CSD**, for execution by **Nominee**, a duly completed instrument of transfer that complies with the applicable requirement for that **Admitted Product**.
2. Prior to any such request being actioned, **AIX CSD** must be satisfied that there is sufficient **Admitted Product** available in the specified **Account** to fulfill the **Securities Uplift** Request. If sufficient **Admitted Product** is available, **AIX CSD** will execute the **Securities** transfer form and send that securities transfer form to the relevant **Securities Register** for that **Admitted Product**. When **AIX CSD** receives confirmation that the **Admitted Product** has been transferred from the name of **Nominee** at the relevant **Securities Register** for the **Admitted Product**, **AIX CSD** will then debit the **Admitted Product** from the **Account** of the **Participant** specified in the **Securities Uplift** Request.
3. Upon successful completion of the **Securities Uplift** Request, the **Participant** will be notified that the status of the **Uplift** transaction is complete.
4. Where the **Securities Uplift** Request is unsuccessful, all or in part, the **Participant** will be notified that the status of the **Uplift** transaction is incomplete or failed.

## Section 4: Depository Transactions

### Procedures for Rule 4.1.1

#### Procedures for Rule 4.1.1 – Manner and timing for initiating Depository Instructions

1. An **Instruction** must be given by a **Participant** either:
  - (a) by entering an **Instruction** into the **Depository System**; or
  - (b) by **Notifying AIX CSD** and requesting processing of an **Instruction**, where:
    - (a) for a **FOP Instruction**, the **Instruction** is either Receive Free or Deliver Free; and
    - (b) for a **DVP Instruction**, the **Instruction** is either a Receive Against Payment or a Deliver Against Payment.
2. Data about Stock Exchange Transactions conducted on **AIX** are sent to **AIX CSD** by **AIX** and **DVP Instructions** are created and matched automatically for the respective **Participant Member** with **T+2 Settlement Day** and other details (amount, currency, **Alternative Currency** (if applicable), instrument and settlement account for the **Securities**) given by the trade details. All **Instructions** deriving from trades conducted on **AIX** are visible in the **Depository System** immediately after trade matches on **AIX**.
3. A **Custodian** may **Instruct AIX CSD** to take-up transaction for **Settlement** and a **Participant-Member** may **Instruct AIX CSD** to give-up transaction for **Settlement**. These **Instructions** are created when entered into the **Depository System**. The **Depository System** shall act upon those **Instructions** and process them if and when both **Instructions** are matched and in accordance with the **Rule 5.2.6**. Give-up and take-up Instructions may be given in a manner and timing further defined in the **Procedure** for the **Rule 5.2.6**.
4. **DVP Instructions** for Off-market **Transactions** may be given in a manner and during time as defined in the **Procedure** for the **Rule 5.3.2**.
5. **Participants** may initiate **FOP Instructions**, which may be processed:
  - (a) by the **Participant**, autonomously, or
  - (b) by **AIX CSD**, or
  - (c) as defined in the **Procedure** for the **Rule 5.3.2**.
6. **FOP Instructions** may be given and processed during the following time:
  - (a) When the **Instruction** is processed in the **Depository System** by the **Participant** autonomously [as defined in 4 (a)], at any time except the technology time of the **Depository System** as described in the **Procedure** for the **Rule 7.6.5**;
  - (b) When the **Instruction** is processed in the **Depository System** by the **AIX CSD** [as defined in 4 (b)], any **Business Day** between 09:30 am and 05:45 pm.
  - (c) When the **Instruction** is processed as defined in the **Procedure** for the **Rule 5.3.2**, **FOP Instructions** for Off-market **Transactions** may be given in a manner and during time as defined in the **Procedure** for the **Rule 5.3.2**.

#### Procedures for Rule 4.1.2

### Procedures for Rule 4.1.2 – Terms and conditions for transfer of Securities with FOP Instruction

1. **Participant** can autonomously process **FOP Instructions** [as defined in 4 (a) of the **Procedure** for the **Rule 4.1.1**] between **Securities Accounts** maintained by that **Participant**. **FOP Instruction** within the **Accounts** of one **Participant** is executed immediately upon the **Instruction** is entered into the **Depository System** as long as the “Due date” is that day’s date. **FOP Instruction** within the **Accounts** of one **Participant** with “Due date” different then that day’s date will be executed on the date selected by the **Participant** at time as **Notified** to the **Participants** by **AIX CSD**. **FOP Instruction** within the **Accounts** of one **Participant** with “Due date” different then that day’s date may be edited by the **Participant** at any time prior to the time if it’s execution by the **Depository System**. The **FOP Instructions** for transfers of **Securities** need to be filled in by the **Participants** in a manner described in CSD User manual for participants provided by **AIX CSD**.
2. For **FOP** transfers of **Securities** between **Securities Accounts** maintained by two **Participants**, the **Participants** must send **FOP Instruction** to **AIX CSD** by submitting CSD-IST Form through **SFTP**. **AIX CSD** will execute the **FOP Instruction** in accordance with the **Rule 4.1.4** through the **Depository System**. **FOP Instruction** between **Securities Accounts** maintained by two **Participants** may be edited by the **Participant** by submitting a new CSD-IST Form through **SFTP** and revoking the previously submitted CSD-IST, and **AIX CSD** shall execute it accordingly provided that the initial **FOP Instruction** was not executed by the **AIX CSD**. If **AIX CSD** already executed the initial **FOP Instruction**, the **AIX CSD** will **Notify** the **Participant** and will not take further actions regarding the requested editing of the **Instruction** and the respective revoking. **AIX CSD** may issue **Notice** further specifying the conditions for **FOP Instruction** for transfers, including the appropriate response time by **AIX CSD** for processing of the **FOP Instruction**.
3. **FOP Instructions** for **Settlement** of Off-market **Transactions** as regulated in the **Procedure** for the **Rule 5.3.2** may be executed according to the terms and conditions for transfer of securities as regulated in the **Procedure** for the **Rule 5.3.2**.

#### Procedures for Rule 4.1.4

### Procedures for Rule 4.1.4 – Depository Instructions’ lapsing time

1. **DVP Instructions** for **Settlement** of transactions conducted on **AIX** are executed as regulated in Section 5 of **AIX CSD Business Rules**. If a **DVP Instructions** for **Settlement** remains unsettled on the intended **Settlement Day**, it can be **Settled** the next **Settlement Day**. If the **DVP Instructions** for **Settlement** is not **Settled** the next **Settlement Day** after the intended **Settlement Day**, **AIX CSD Settlement fail Procedures** apply.
2. **DVP Instructions** for **Settlement** of Off-market **Transactions** are executed as regulated in the **Procedure** for the **Rule 5.3.2**.

3. The time for lapse of **FOP Instructions** for transfers of **Securities** between **Accounts** maintained by the same **Participant** for the purpose of **Rule 4.1.4** shall be the end of day on the day on which the **Instruction** is due for **Settlement**.
4. The time for lapse of **FOP Instructions** for transfers of **Securities** between **Securities Accounts** maintained by two **Participants** for the purpose of **Rule 4.1.4** shall be 06:00 pm on the day on which the **Instruction** is due for **Settlement**.
5. The time for lapse of **FOP Instructions** for **Settlement** of Off-market **Transactions** as regulated in the **Procedure** for the **Rule 5.3.2** is as regulated in the **Procedure** for the **Rule 5.3.2**.

#### Procedures for Rule 4.1.5

#### Procedures for Rule 4.1.5 – Withdrawal of Instructions

1. **DVP Instructions** for **Settlement** of transactions conducted on **AIX** are executed as regulated in Section 5 of **AIX CSD Business Rules** and may not be withdrawn.
2. **DVP Instructions** for **Settlement** of Off-market **Transactions** are executed as regulated in the **Procedure** for the **Rule 5.3.2** and may be withdrawn only if regulated so in the **Procedure** for the **Rule 5.3.2**.
3. **FOP Instruction** in respect to a transfer of **Securities** within the **Accounts** of one **Participant** may be withdrawn by the **Participant** in the **Depository System** at any time prior to the **Settlement**.
4. **FOP Instruction** in respect to a transfer of **Securities** from an **Account** of one **Participant** to an **Account** of another **Participant** may be withdrawn by the **Participant** sending the **Instruction**, by sending duly filled and signed withdrawal through **SFTP** at latest on the day prior to the **Settlement day**. Any withdrawal of **FOP Instruction** in respect to a transfer of **Securities** from an **Account** of one **Participant** to an **Account** of another **Participant** received by **AIX CSD** on the **Settlement day** may be executed by **AIX CSD** at a risk for the **Participant** only if the **Instruction** was not already executed by **AIX CSD** or the withdrawal was received by **AIX CSD** through **SFTP** in a reasonable time prior to the **Settlement** of the **FOP Instruction** and a mail was sent to [ptd@aix.kz](mailto:ptd@aix.kz) advising on the withdrawal sent through **SFTP**.
5. **FOP Instructions** for **Settlement** of Off-market **Transactions** as regulated in the **Procedure** for the **Rule 5.3.2** may be withdrawn only if regulated so in the **Procedure** for the **Rule 5.3.2**.

#### Procedures for Rule 4.3.3.

#### Procedures for Rule 4.3.3 – Points after which cancelations are not allowed

1. **DVP Instructions** for **Settlement** of transactions conducted on **AIX** may be cancelled by a **Participant** up to the time and under the conditions specified in the **Procedure** for the **Rule 5.1.10**.
2. **DVP Instructions** for **Settlement** of Off-market **Transactions** may be cancelled by a **Participant** only if regulated so in the **Procedure** for the **Rule 5.3.2**.

3. **FOP Instruction** in respect to a transfer of **Securities** within the **Accounts** of one **Participant** may be canceled by the **Participant** in the **Depository System** at any time prior to the **Settlement**.
4. **FOP Instruction** in respect to a transfer of **Securities** from an **Account** of one **Participant** to an **Account** of another **Participant** may be canceled by the **Participant** sending the **Instruction**, by sending duly filled and signed cancellation through **SFTP** at latest on the day prior to the **Settlement day**. Any cancellation of **FOP Instruction** in respect to a transfer of **Securities** from an **Account** of one **Participant** to an **Account** of another **Participant** received by **AIX CSD** on the **Settlement day** may be executed by **AIX CSD** at a risk for the **Participant** only if the **Instruction** was not already executed by **AIX CSD** or the cancellation was received by **AIX CSD** through **SFTP** in a reasonable time prior to the **Settlement** of the **FOP Instruction** and a mail was sent to [ptd@aix.kz](mailto:ptd@aix.kz) advising on the cancellation sent through **SFTP**.
5. **FOP Instructions** for **Settlement** of Off-market **Transactions** as regulated in the **Procedure** for the **Rule 5.3.2** may be canceled by a **Participant** only if regulated so in the **Procedure** for the **Rule 5.3.2**.



## Section 5: Clearing and Settlement

### Procedures for Rule 5.1.5

#### Procedures for Rule 5.1.5 – Settlement currencies and arrangements

1. **AIX CSD** support **Settlement** of **Transactions** in currencies for which appropriate arrangements with the relevant **Settlement Bank** for those settlement currencies exist.
2. **AIX CSD** defines and **Notifies** the settlement currency for each **Admitted Product**.
3. **AIX CSD Notifies** the **Participants** on the settlement currencies for which appropriate arrangements with the relevant **Settlement Bank** exist.
4. **AIX CSD** supports **Multicurrency Settlement** as regulated in these **Procedures** and in multicurrency settlement facilitation agreements. By **Notice AIX CSD** will publish the list of eligible **Securities** and the list of eligible currencies supported with **Multicurrency Settlement**. For **Settlement** taking place with **Multicurrency Settlement** being selected/taken-up by the **Participant**, the **Settlement** may only take place according to the **Procedures** regulating the **Multicurrency Settlement**. The information needed for the **Participant** related to **Multicurrency Settlement** shall be made available via the **AIX CSD Depository System**.

### Procedures for Rule 5.1.10

#### Procedures for Rule 5.1.10 – Cancellation or modification of Instructions for settlement

1. For secondary market trades (Stock Exchange Transactions as regulated in the **Rule 5.2**.) conducted on **AIX** and settled in **AIX CSD**:
  - **DVP Instructions** can be canceled, if allowed by **AIX**, on the day of trading of the **Securities** by cancellation of the trade on **AIX**. As such, those **Instructions** are sent to **AIX CSD** by **AIX** and **DVP Instructions** are updated automatically for the respective **Participant Member**. All **Instructions** deriving from trades conducted on **AIX** at the end of the day are considered to be received as official data on executed transactions from the **AIX**. These **Instructions** cannot be amended by the **Participants**, neither **Participants** can request **AIX CSD** to amend them;
  - **AIX CSD** can cancel or modify **DVP Instructions** for **Settlement** of transactions conducted on **AIX** in accordance with **Rule 5.2.3**;
  - in case of non-**Settlement** on the intended **Settlement Day**, the non-failing **Participant** may request cancellation of **DVP Instruction** for transfer per end-of-day on the first **Settlement Day** from the intended **Settlement Day**. Upon such request, which must be sent through **SFTP**, **AIX CSD** will cancel the **DVP Instruction** for transfer with no further actions for either party to the transaction. **AIX CSD** will **Notify** both parties to the cancelled **DVP Instruction** for transfer of the cancellation;

- in case of non-**Settlement** on the intended **Settlement Day**, **AIX CSD** may on own action cancel an unsettled **DVP Instruction** for transfer on the first **Settlement Day** from the intended **Settlement Day** with no further actions other than **Notifying** both parties to the transaction. **AIX CSD** will only cancel transactions on its own volition if it deems that the non-defaulting party will benefit from the cancellation;
  - **DVP Instructions** can be canceled for the purposes of management of **Settlement Fail** and in a manner in accordance with the “AIX CSD Settlement Fail Procedures” as published on the [www.aix.kz](http://www.aix.kz) .
2. **DVP Instructions** and/or **FOP Instructions** for Off-market **Transaction Settlement** regulated in the **Procedure** for the **Rule 5.3.2** may be cancelled or modified only if regulated so in the **Procedure** for the **Rule 5.3.2**.

#### Procedures for Rule 5.2.6

### Procedures for Rule 5.2.6 – Performing of give-up and take-up of settlement obligations

1. Settlement positions resulting from trades conducted on **AIX** are eligible for give-up. The **Participant-Member** may submit a request to give-up / transfer a settlement obligation to a **Custodian** through the **Depository System** before 03:30 pm on the next **Business Day** from the day of trading. The **Participant-Member** should select the delivery position in the **Depository System** and ask to give-up that position which then allows to transfer the whole or partial position to a selected **Custodian**. After give-up is initiated by the **Participant-Member**, the **Custodian** receives information in the **Depository System** that the position(s) “adjustment” is waiting to be taken-up. The **Custodian** can see the position pending to be taken-up and by 03:30 pm on the next **Business Day** from the day of trading may either accept or reject the take-up:
  - If rejected, the settlement obligation does not move, and the **Participant-Member** remains responsible for **Settlement** of that position(s) as usual.
  - If accepted, the settlement obligation is moved to the **Custodian** for **Settlement**. The **Custodian** then has the obligation to settle and the **Participant-Member** has no further obligation and takes no part in **Settlement**. This cannot be reversed.
  - No action by the **Custodian** after 03:30 pm on the next **Business Day** from the day of trading is treated as rejection.
2. Cancellation of give-up **Instruction** may happen under the following conditions:
  - The **Participant-Member** is able to see all pending give-ups and can cancel them before the give-up request is accepted by the **Custodian**;
  - The **Participant-Member** can cancel the give-ups by either canceling them themselves in the **Depository System**, or by requesting **AIX CSD** to do it for the **Participant-Member** by **Notice** sent by **SFTP**;



- Once a settlement obligation of a transaction conducted on AIX is taken over by a **Custodian**, it may not be reverted back to the **Participant Member**.
- 3. After a take-up by **Custodian**, the data about Stock Exchange Transactions conducted on **AIX** which were sent to **AIX CSD** by **AIX** are modified and appropriate new **DVP Instructions** are created for the respective **Participant** with **T+2 Settlement Day** and the following details deriving from the trade details: currency, **Alternative Currency** (if applicable) and instrument. The details about the amount of **Securities** and the settlement **Account** for the **Securities** are changed appropriately. All **Instructions** deriving from trades taken-up are visible in the **Depository System** immediately after the **Instructions** for give-up and take-up are matched. Trades conducted on **AIX** which require **Multicurrency Settlement** will inherit the same details during the process of giving-up and taking-up the settlement obligations.
- 4. The give-up and take-up **Instructions** need to be filled in and processed by the **Participants** in a manner further described in CSD User manual for Participants provided by **AIX CSD**.

#### Procedures for Rule 5.2.10

### Procedures for Rule 5.2.10 – Timing and Settlement cycles in a Settlement Day

1. **The Depository System** is available for **Settlement** for the **Participants** according to the following timetable:
  - For Stock Exchange **Transactions Settlement**:
    - o Main Settlement cycle – any moment during a **Settlement Day** between 11:00 am and 11:30 am random;
    - o Late Settlement cycle – several batches during the **Settlement Day** between 11:30 am and 05:30 pm.
  - Settlement of obligations in respect to **FOP Instructions** may occur at any time during a **Business Day** as regulated in 5 of the **Procedure** for the **Rule 4.1.1**.
  - For Off- Exchange **Transactions Settlement** as regulated in the **Procedure** for the **Rule 5.3.2**, **DVP Instructions** and/or **FOP Instructions** are processed by **AIX CSD** during a **Settlement Day** in a time as regulated in the **Procedure** for the **Rule 5.3.2**.
2. On exceptional basis, with **Notice** to the **Participants**, **AIX CSD** can:
  - extend or reduce the above stated timings;
  - for some **Admitted Product** or class of **Securities**, introduce new time or times during the **Settlement Day**.

#### Procedures for Rule 5.2.13

### Procedures for Rule 5.2.13 – Timing for challenging a report from AIX CSD

1. The report of the accuracy and completeness of data regarding the obligations from the trading for the **Participant** provided by **AIX CSD** through the **Depository System** may be challenged up to 04:00 pm on the next **Business Day** from the day of trading.

#### Procedures for Rule 5.2.15

### Procedures for Rule 5.2.15 – Transfer of Admitted Product to/from the Account of Custodian

1. During the process of take-up, the **Custodian** may designate an **Account** for debiting/crediting. The manner of designating an **Account** for debiting/crediting the **Custodian's** positions is further described in CSD User manual for Participants provided by **AIX CSD**. If an **Account** is not designated during the process of take-up, **Custodian's** transitory settlement account shall be debited/credited and the **Procedure** of the **Rule 5.2.17** applies.

#### Procedures for Rule 5.2.17

### Procedures for Rule 5.2.17 – Time and manner of allocation of Admitted Product on a transitory settlement Account

1. A **Participant** delivering **Admitted Product** on the transitory settlement **Account** of the **Participant** in accordance with the **Rules 5.2.16** and **5.2.17** must credit the transitory settlement **Account** with the respective **Admitted Product** by 11:00 am on the **Settlement Day**.
2. A **Participant** receiving **Admitted Product** on the transitory settlement **Account** of the **Participant** in accordance with the **Rules 5.2.16** and **5.2.17** must perform the allocation of respective **Admitted Product** from the transitory settlement **Account** to the **Participant's Accounts** for the respective **Client's Account** as soon as possible after the **Settlement** takes place, but not later than by the end of the day on the **Settlement Day** when his transitory Settlement **Account** was credited with the relevant **Admitted Product**.

#### Procedures for Rule 5.3.2

### Procedures for Rule 5.3.2 – Procedures for Off-market Transaction Settlement

1. **AIX CSD** can perform **Settlement** of **DVP Instructions** for:
  - a. Off-market Book-building transactions
  - b. Off-market Primary market transactions
  - c. Other Off-market transactions
2. **AIX CSD** performs **Settlement** of **DVP Instructions** deriving from Off-market Transactions only in a manner **Notified** by **AIX CSD** to the **Participants** for the respective **Admitted Product** and the respective transactions as described in this **Procedure**.
3. The **Notice** on the **Settlement** of **DVP Instructions** deriving from Off-market Transactions for the respective **Admitted Product** shall define and regulate:
  - the manner and the time of giving the **DVP Instructions** for Off-market **Transactions**;

- the manner and the time of processing and execution of the **DVP Instructions** for **Settlement** of Off-market **Transactions**;
  - the manner of withdrawal, modification and/or cancelation of **DVP Instructions** for **Settlement** of Off-market **Transactions**, if allowed according to the conditions set in the **Notice**;
  - the manner and time for receiving and delivering the money on **AIX CSD Nominee Account** with the **Settlement Bank**.
4. When Off-market Book-Building Transactions as regulated in 1.a of this **Procedure** are initiated for **Settlement** with **DVP Instructions**, **AIX CSD Participants** participating with transactions in the bulk uploading file (in a manner **Notified** by **AIX CSD** to the **Participants** on the conditions for the participation in the bulk uploading file), acknowledge that **AIX CSD** can, on instruction from a **Participant** submitting the bulk uploading file, create **Instructions** for **Transactions** in the **Depository System** on their behalf for the purposes of **Delivery-versus-Payment Settlement** of Off-market Book-Building Transactions and are willing and accept that each **DVP Instruction** entered in the **Depository System** under the terms of the **Notice** may be considered as an authorisation for that **Participant** to initiate action in the **Depository System** on their behalf. Data about Off-market Book-Building Transactions are sent to **AIX CSD** by the respective authorized **Participant** as **Notified** and **DVP Instructions** are created and matched automatically with **T+2Settlement Day** and other details (amount, currency, instrument and settlement account for the **Securities**) given by the Off-market Book-Building trade details. All **DVP Instructions** deriving from Off-market trade details are visible in the **Depository System** after the uploading of the file. **AIX CSD** performs the **Settlement** with the transfer of **Admitted Product** being done on gross basis for each transaction and money being available on **AIX CSD Nominee Account** with the **Settlement Bank** on gross basis for each transaction.
  5. When Off-market Primary market Transactions as regulated in 1.b of this **Procedure** are initiated for **Settlement** with **DVP Instructions**, **AIX CSD Participants** participating with transactions in the bulk uploading file (in a manner **Notified** by **AIX CSD** to the **Participants** on the conditions for the participation in the bulk uploading file), acknowledge that **AIX CSD** can, on instruction from **AIX** or the **Participant** submitting the bulk uploading file, create **Instructions** for **Transactions** in the **Depository System** on their behalf for the purposes of **Delivery-versus-Payment Settlement** of Off-market Primary market Transactions and are willing and accept that each **DVP Instruction** entered in the **Depository System** under the terms of the **Notice** may be considered as an authorisation for the **AIX** or for the respective **Participant** to initiate action in the **Depository System** on their behalf. Data about Off-market Primary market Transactions are sent to **AIX CSD** by the **AIX** or the respective **Participant** as **Notified** and **DVP Instructions** are created and matched automatically with **T+2Settlement Day** and other details (amount, currency, instrument and settlement account for the **Securities**) given by the Off-market Primary market trade details. All **DVP Instructions** deriving from Off-market trade details are visible in the **Depository System** after the uploading of the file. **AIX CSD** performs the **Settlement** with the transfer of **Admitted Product** being done on gross basis for each transaction and money being available on **AIX CSD Nominee Account** with the **Settlement Bank** on gross basis for each transaction.
  6. **AIX CSD** can perform **Settlement** of **FOP Instructions** for:
    - a. Off-market Book-building transactions

- b. Off-market Primary market transactions
- c. Other Off-market transactions

and, if requested and agreed, to provide delivery of **Admitted Product** subject to receipt and payment of money, but not as a **DVP** functionality in the **Depository System**.

7. **AIX CSD** performs **Settlement** of **FOP Instructions** deriving from Off-market Transactions under the **Rule 5.3.2** only in a manner **Notified** by **AIX CSD** to the **Participants** for the respective **Admitted Product** and the respective transactions as described in this **Procedure**.
8. The **Notice** on the **Settlement** of **FOP Instructions** deriving from Off-market Transactions for the respective **Admitted Product** shall define and regulate:
  - the manner and the time of giving the **FOP Instructions** for Off-market **Transactions**;
  - the manner and the time of processing and execution of the **FOP Instructions** for **Settlement** of Off-market **Transactions** and the terms and conditions for execution of the transfer;
  - the time for lapse of the **FOP Instructions**;
  - the manner of withdrawal, modification and/or cancelation of **FOP Instructions** for **Settlement** of Off-market **Transactions**, if allowed according to the conditions set in the **Notice**;
  - other relevant matters.
9. **AIX CSD** performs **Settlement** of **FOP Instructions** deriving from Off-market Transactions as specified in No.6 of this **Procedure** in a manner previously **Notified** by **AIX CSD** to the **Participants** on the conditions for the participation in the bulk uploading file. **AIX CSD Participants** participating with transactions in the bulk uploading file (in a manner previously **Notified** by **AIX CSD** to the **Participants** on the conditions for participation in the bulk uploading file) acknowledge that **AIX CSD** can, on instruction from the respective **Participant** submitting the bulk uploading file, create **Instructions** for **Transactions** in the **Depository System** on their behalf for the purposes of **FOP Settlement** of Off-market Transactions and are willing and accept that each **FOP Instruction** entered in the **Depository System** under the terms of the **Notice** may be considered as an authorisation for that **Participant** to initiate action in the **Depository System** on their behalf. Data about Off-market Transactions are sent to **AIX CSD** by the respective authorized **Participant** as **Notified** and **FOP Instructions** are created and matched automatically with a **Settlement Day** and other details (amount, currency, instrument and settlement account for the **Securities**) given by the Off-market trade details. All **FOP Transactions** deriving from Off-market details are visible in the **Depository System** after bulk upload of a file in a manner previously agreed with **AIX CSD**.
10. For the **DVP Transactions**, the transfer of money from the **Accounts** of buying **Participant** to the **Accounts** of selling **Participant** shall be executed by the **Depository System**.
11. On the **Settlement Day**, if the conditions for **Settlement** of Off-market **Transactions** are met, the **Depository System** shall execute the transfer of **Admitted Product** from the appropriate **Account** of the selling/delivering **Participant** to the appropriate **Account** of the buying/receiving **Participant** and, if applicable, at the same time it shall update the cash positions of the **Participant** on a **Delivery-versus-Payment** basis.

12. By performing the **Settlement** of Off-market **Transactions** in the **Depository System** in accordance with the **Rule** 4.1.4, the transfer of **Securities** and, if applicable, the transfer of money, is final and irrevocable.
13. The process of **Settlement** of Off-market **Transactions** in the **Depository System** organized by the **AIX CSD** as defined in these **Procedures** refers to the **Participants** of the **AIX CSD**. The **AIX CSD** shall not be liable for the accuracy, completeness and actions taken by the **Participant** for:
  - the fulfillment of the monetary obligations between the **Participant** and its **Client**, if any, and/or
  - the allocation of **Admitted Product** from the transitory settlement **Account** of the **Participant Member** which performs the **Settlement** of **Transaction** to the **Participant Member's Account** for the respective **Client**.

### Procedures for Rule 5.3.3

#### Procedures for Rule 5.3.3 – Procedures for Rules that do not apply for Off-market Transaction Settlement

1. For the Off-market **Transactions Settlement** the following **Rules** do not apply:
  - **Rule** 5.2.1;
  - **Rule** 5.2.2;
  - **Rule** 5.2.3;
  - **Rule** 5.2.4;
  - **Rule** 5.2.5
  - **Rule** 5.2.7;
  - the first sentence of the **Rule** 5.2.14;
  - the first indent of the **Rule** 5.2.16;
  - **Rule** 5.2.22;
  - **Rule** 5.2.23;
  - **Rule** 8.1.2.
2. As procedures, the following **Rules** of the Section 5 of the **Rules** apply to Off-market Transactions, regardless of if the transactions are **DVP** or **FOP**:
  - **Rule** 5.2.8;
  - **Rule** 5.2.9;
  - **Rule** 5.2.11;
  - **Rule** 5.2.13;
  - the second sentence of the **Rule** 5.2.14;
  - **Rule** 5.2.15;
  - the second indent of the **Rule** 5.2.16;
  - **Rule** 5.2.17;
  - **Rule** 5.2.24.



## Section 6: Securities lending and borrowing

### Procedures for Rule 6.2.2

#### Procedures for Rule 6.2.2 – Initiation and creation of a Lending Transaction

1. **Lending Transaction** initiated by a **Participant** who intends to borrow **Admitted Product** by lodging a **Borrowing Request** to **AIX CSD** is not allowed until further **Notice**.
2. **Lending Transaction** initiated by a **Participant** who intends to borrow **Admitted Product** by bilateral agreement approved by **AIX CSD** shall initiate and create the **Lending Transaction** in accordance with the following:
  - a. General preconditions:
    - i. Once a **Participant** is approved by **AIX CSD** to act as **Borrower**, it must enter into a valid bilateral securities lending agreement with a **Lender** approved by **AIX CSD**;
    - ii. The **Participant** approved by **AIX CSD** to act as **Borrower** is required to disclose the use of either MSLA or GMSLA or other bilateral agreement and provide executed copies of the agreements to the **AIX CSD**.
  - b. Specific preconditions:
    - i. **Lending Transaction** should be agreed between the **Lender** and the **Borrower** on the basis of the securities lending agreement and the **Securities** transfer entered into the **Depository System**

### Procedures for Rule 6.3.2

#### Procedures for Rule 6.3.2 – Content of the general securities lending agreement

1. **Lending Transactions** can only be executed if securities lending agreement approved by the **AIX CSD** is signed between the **Lender** and the **Borrower**, valid for all the lending and borrowing operations between the **Lender** and the **Borrower**. For professional clients (including **Participants**) the industry master agreements of the International Securities Lending Association (“ISLA”), GMSLA version 2010, and the Securities Industry and Financial Markets Association (“SIFMA”), MSLA version 2017 are accepted.
2. The terms and the conditions of the general securities lending agreement shall be approved by **AIX CSD** once **AIX CSD** is satisfied that:
  - the principles regulated by ISLA or SIFMA general agreements are applied;
  - the **Borrower** will enjoy full ownership of the borrowed **Securities**;
  - **Corporate Action** adjustments are dealt with by the **AIX CSD** outside the lending and borrowing mechanism. The **AIX CSD** will not perform any adjustment to the loan quantity;
  - there is no collateral lodgment with the **AIX CSD** and this is regulated between the Lender and the Borrower.
3. The **AIX CSD** may at any time, and subject to a timely notice, direct **Borrowers** to cause the general agreement to be amended, rescinded or supplemented, as a condition for

continued use of the **Depository System** for registering **Lending Transactions** deriving from bilateral agreements.

#### Procedures for Rule 6.3.3)

#### Procedures for Rule 6.3.3.a – Documents required by the Participant conducting Securities lending and/or borrowing

1. A **Participant** of **AIX CSD** may conduct **Securities** lending and/or borrowing only if approved by **AIX CSD** to become lending **Participant** and/or borrowing **Participant** conducting **Lending Transactions** based on bilateral agreements approved by **AIX CSD**.
2. The **Participant** applying for approval with the **AIX CSD** for becoming lending **Participant** and/or borrowing **Participant** conducting **Lending Transactions** based on bilateral agreements should submit application to the **AIX CSD** with the following supporting documents:
  - System documentation: functional description of systems that are used to support lending or borrowing;
  - Staff: preferably an organizational chart, highlighting staff and managers that are involved in lending or borrowing operations;
  - Internal Controls: a document that describes internal controls relevant to lending or borrowing activity and how risk management is organized;
  - Written undertaking of an authorized **Person** of the **Participant** that when acting as **Borrower** for the purposes of handling potential or effective **Settlement Fail**, the **Participant** shall act in good faith and will not misuse the **Lending Transaction**.

#### Procedures for Rule 6.3.3.b – Performing Lending Transaction by a Participant

1. **Participant** conducting **Securities** lending and/or borrowing shall perform the **Lending Transaction** in the **Depository System** by transfer performed with **FOP Instruction** in accordance with the **Rules**.

#### Procedures for Rule 6.3.3.c – Reporting Lending Transactions

1. **Lending Transaction** should be reported to **AIX CSD** when executing the **FOP Instruction**, but not later than one week from the day of executing the **Lending Transaction**. The **Lending Transactions** shall be reported to **AIX CSD** by submitting CSD-LBR form.

## Section 7: Depository Powers

### Procedures for Rule 7.1.1

#### Procedures for Rule 7.1.1 – Application for admitting Security as Admitted Product

1. An application for approval of a class of **Security** must be made in writing in such form as the **AIX CSD** may request, and shall include:
  - (a) name and description of the **Security**, including its **ISIN, CFI, FISN** and a copy of the document that prescribes the terms of the **Security** and, if applicable, any offer document issued in relation to the **Security**;
  - (b) description of the market on which it is traded, including a copy of the rules of any market on which it is traded;
  - (c) details of the **Securities Register** maintained for the **Security** and arrangements for transfer of holdings on that register to the **Depository**; and
  - (d) details of the agreement and other arrangements for the transmission of information from the **Securities Register** to the **Depository System**.

#### Procedures for Rule 7.1.1 – Admitted Products

1. The following classes of **Securities** are **Admitted Products**:
  - all **Securities** approved for listing on the **AIX**
  - for the purposes of the **Rule 5.3**, the primary market for the issuance of the **Securities** for listing on the **AIX**.

### Procedures for Rule 7.1.4

#### Procedures for Rule 7.1.4 – Notification of the Participants for new Admitted Products

1. Where the **AIX CSD** approves a class of **Security** as **Admitted Product**, **AIX CSD** will notify the **Participants** by way of **Notice**, which may be jointly with **AIX** with its decision to list the **Security** in the same market notice in a manner as regulated in **AIX Business Rules**.

### Procedures for Rule 7.5.1



## Procedures for Rule 7.5.1 – Procedure and practice in relation to consideration of an application for ruling or waiver

1. Applications for waiver and/or rulings from a **Rule** or **Procedure** should be in writing and addressed to the **AIX CSD**, attention of the CEO of **AIX CSD**. Applications may be made in writing, duly signed by Authorised person and sent by **SFTP**
2. Applications for a waiver or ruling should contain all information required to clearly establish and document the need for the waiver or ruling sought. As a minimum this should address:
  - (a) Applicant: the full name of the **Participant** seeking the waiver or ruling;
  - (b) Background: the full background to the matter and the transactions or circumstances in respect of which the waiver or ruling is sought. This should include the generic background to the situation or events in question followed by the material details, e.g., details of transactions, etc.;
  - (c) Details: the specific **Rule** or **Procedure** in respect of which the waiver or the ruling is sought and any conditions of the waiver or ruling which the applicant considers appropriate;
  - (d) Reasons: for each provision of the **Rule** or **Procedure** in respect of which the waiver or ruling is sought, the reasons and justifications of the waiver or ruling;
  - (e) Precedents: any existing waiver or ruling decisions which are similar to the waiver or ruling sought and which may provide a precedent for the application. The application should state how the precedents are similar to, and different from, the waiver or ruling sought;
  - (f) Impact: how the proposed waiver or ruling may affect the **AIX CSD**, the **Participant** or clients of the **Participant** seeking the waiver or ruling and other **Participants**, including any costs and benefits to them and that **Participant**;
  - (g) Timeframe: whether the application is urgent and the date by when a determination is needed and the reason/s why the application should be considered on an urgent basis;
  - (h) Publication: whether the applicant requires a decision or any information in relation to the application to be kept confidential and the period for which that confidentiality is required. This must set out the policy reason why the decision should not be published, or alternatively why publication should be delayed for a period of time; and
  - (i) Other: any other information known to the applicant that is material or relevant to the application.
3. Applications for a waiver or ruling should be accompanied by any relevant documents to support the application.

### Procedures for Rule 7.5.1 – Timing of the application for ruling or waiver

1. All applications for waiver and rulings should be submitted to the **AIX CSD** at least 10 **Business Days** prior to the **Participant** requiring a determination. If a determination is required in less than 10 **Business Days** a **Participant** may apply to have the application dealt with on an urgent basis.
2. If an application is urgent, a timeframe should be provided within which determination is needed accompanied by the reasons for the request for urgent consideration.
3. The **AIX CSD** does not guarantee that a decision will be provided within any particular time. While the **AIX CSD** will always endeavor to meet an applicant's timeframe, the ability to meet urgent timetables will be subject to the **AIX CSD** resource availability. The timing of a decision in relation to an application may also be influenced by the quality of the application and the thoroughness with which it has been prepared.

### Procedures for Rule 7.5.1 – Review of the application for ruling or waiver

1. On receipt of an application for a waiver or ruling, that waiver or ruling is considered by the **AIX CSD** regulatory personnel. The **AIX CSD**'s compliance officer will be identified to the applicant for the purposes of communications.
2. After an initial appraisal, the applicant may be requested to provide additional information.
3. When all information requested by the **AIX CSD** has been provided by the applicant and considered by the **AIX CSD**, the lead compliance officer will prepare a decision in relation to the application. A draft decision may be provided to the applicant for discussion if the **AIX CSD** believe necessary.
4. In its decision the **AIX CSD** will, subject confidentiality procedures as stated below in publication of ruling or waiver in these **Procedures**, publish the identity of the **Participant**, the facts of that application, the determination made by the **AIX CSD** in response to that application and the grounds for determining the application.

### Procedures for Rule 7.5.1 – Fees for application of ruling or waiver

1. The **Participant** making an application for a waiver or ruling must pay the fees specified in that respect. Fees will be payable regardless of whether the application is accepted or declined.
2. Waiver and ruling fees will be invoiced to the **Participant** concerned at the conclusion of the **AIX CSD**'s work, or on a monthly basis where necessary.

## Procedures for Rule 7.5.1 – Publication of ruling or waiver

1. The **AIX CSD** publishes all decisions in relation to applications for waiver or rulings (and revocations of waiver or rulings) from the **Rules**, unless:
  - (a) the **Participant** seeking the waiver or ruling establishes, to the satisfaction of the **AIX CSD**, grounds for maintaining confidentiality of the **AIX CSD's** decision with respect to a waiver or ruling application; or
  - (b) the **AIX CSD** determine in its sole discretion not to publish its decision with respect to a ruling or waiver application.
2. Applicants will be provided with decisions at least one-half **Business Day** prior to their public release. The decision provided is a final decision and will not be for comment by the **Participant**. The decision is provided to facilitate the **Participant** dealing with the publication of the waiver by the **AIX CSD**.

## Procedures for Rule 7.6.5

### Procedures for Rule 7.6.5 – Procedure for the availability of the Depository System

1. **The Depository System** is available for the **Participants** at any time during the week, regardless if the day is or is not **Business Day** for **AIX CSD**. Exception is the technology time of the **Depository System** when for the purposes of system maintenance and/or back-up and/or upgrade, the **Depository System** is temporarily not available to the **Participants**.
2. The technology time for the daily back up and technology procedures is mainly between 11:00 pm and 01:00 am.
3. **AIX CSD** shall take all reasonable efforts to ensure that the unavailability of the **Depository System** due to planned maintenance operations or upgrades does not take effect during the business hours of **AIX CSD**.

### Procedures for Rule 7.6.5 – Procedure for the working days and hours of AIX CSD

1. The **Settlement Days**, the **Business Days** and the Business Hours of **AIX CSD** are set up as follows:

**Settlement Days:** Each week from Monday to Friday, except on days which are declared as holidays in Kazakhstan. **AIX CSD** will publish the **Settlement Days** in a Settlement Calendar for the relevant year on [www.aix.kz](http://www.aix.kz)

**Business Days:** Each day declared to be a working day for **AIX CSD** by decision of the **AIX CSD** management, which usually equals **Settlement Day**.

**Business Hours:** **AIX CSD's** Business Hours are from 09:00 am to 06:00 pm.

2. **Settlement Day** for **AIX CSD** must be a **Business Day**.
3. **Business Day** for **AIX CSD** may not be a **Settlement Day**.
4. **AIX CSD** may extend or reduce the above stated timings with **Notice** to the **Participants** and shall publish them on [www.aix.kz](http://www.aix.kz)

#### Procedures for Rule 7.6.6

#### Procedures for Rule 7.6.6 – Fees, levies and other charges

1. Admission, activity and other fees are published in the **AIX CSD's** fee schedule which can be located at [www.aix.kz](http://www.aix.kz). **AIX CSD** fees for the **Participants** may be set jointly with **AIX** in one fee schedule.
2. Activity fees are calculated on a monthly basis by reference to the activity in each calendar month. Invoices are to be payable within 10 **Business Days**.
3. **AIX CSD** may rely on data submitted to it to calculate fees, levies and charges.
4. **AIX CSD** invoices the **Participant**, where applicable, for, and the **Participant** shall pay to **AIX CSD**, the aggregate of all the fees, levies and other charges as defined in **AIX CSD** fee schedule, AIX CSD Settlement Fail procedures and in **Notices** ("Participant Fees").
5. In addition to the Participant Fees, the **Participant** pays any sales, use, goods and services, value added, transfer, property or other taxes, any tax in the nature of withholding tax, and any duty or duties payable in respect of Participant Fees or any part thereof and/or the provision of **AIX CSD** or otherwise arising in respect of **Participant's Participation**.
6. Participant shall pay to **AIX CSD** the amounts stated in the invoice in full, without any deduction.
7. Where the **Participant** fails to pay in time specified in the invoice issued by **AIX CSD**, other than in the case where the **Participant** is disputing such charges or sums in good faith, **AIX CSD** may suspend or terminate its **Participation** with immediate or delayed effect, without prejudice to any other action which **AIX CSD** may take.
8. Any invoice queries including, without limitation, any request by the **Participant** for repayment of overpaid charges must be made within a period of 30 **Business Days** from the end of the month to which the relevant invoice relates. The **Participant** shall not be entitled to query an invoice of **AIX CSD** and/or claim repayment of any overpaid charges after this period.

9. If the **Participant** fails to make a payment of Participant Fees due to **AIX CSD** by the due date, then the **Participant** shall pay interest on the overdue sum from the due date until payment of the overdue sum, whether before or after judgment. The interest will accrue each day at a rate as specified in the invoice or in a **Notice** issued by **AIX CSD**.

### Procedures for Rule 7.6.6 – Waiver and Ruling Fee

1. Each applicant for a waiver or ruling must pay a fee calculated on the basis of time devoted by personnel to the application, calculated at the rates set out in the **AIX CSD**'s fee schedule.
2. The applicant will also reimburse to the **AIX CSD** the costs charged by any professional advisors who may be engaged by the **AIX CSD** in the process of determination of the application.

## Section 8: Default and Termination

### Procedure for Rule 8.1.2

#### Procedures for Rule 8.1.2 – Buy-in, close-out and cash compensation procedures

1. Upon an instance of **Settlement Fail** and provided that the **DVP Instruction** was not canceled upon request of the non-failing **Participant** or the **AIX CSD** (if it deems that the non-defaulting party will benefit from the cancellation) as regulated in the **Procedures** for the **Rule 5.1.10**, the **AIX CSD** will apply buy-in, close-out or cash compensation as defined in Attachment 2 of these **Procedures** "Settlement Fails".
2. The **AIX CSD** will protect the interests of the counterparties to **Transactions** subject to **Settlement Fail** through application of a guarantee as defined in the "Settlement Fails" as described in Attachment 2).

## Section 9: Organizational provisions

### Procedure for Rule 9.1.

#### Procedures for Rule 9.1 – Other access to the Depository System then through CSD System GUI

(no specified procedure)

## ATTACHMENT 1 - DAILY TIMETABLE OF SOME AIX CSD ACTIONS AND PROCESSES

Time	Action
09:00 am	Start of AIX CSD Business Hours for the day
09:30 am	Start of the period for processing FOP Instructions between AIX CSD Participants
11:00 am	Deadline for the Participant to credit AIX CSD Nominee account at the Settlement Bank with the balance of money enough to meet its net Settlement obligations deriving from AIX trades for the Settlement Day for the Main Settlement cycle
11:00 am	Start of time period for the conducting the Main Settlement cycle for DVP Settlement of AIX trades for the Settlement Day by random
11:30 am	Last moment for the conducting the Main Settlement cycle for DVP Settlement of AIX trades for the Settlement Day
11:31 am	Start of time period for conducting the late Settlement cycle for the Settlement Day
11:31 am	Start of the period for AIX CSD to transfer money as result of the settlement process to participants, upon their request
04:00 pm	Last moment that the report of the accuracy and completeness of data regarding the obligations from the previous trading day for the Participant provided by AIX CSD may be challenged
05:29 pm	Last moment for receiving money on AIX CSD Nominee Account for conducting DVP Settlement of AIX trades for that Settlement Day
05:30 pm	Last moment for AIX CSD for conducting DVP Settlement of AIX trades for the Settlement Day
05:45 pm	End of the period for processing FOP Instructions between AIX CSD Participants
06:00 pm	End of AIX CSD Business Hours for the day

## **ATTACHMENT 2 SETTLEMENT FAILS**

### **1. Purpose**

The purpose of these Procedures is to define the mechanism and procedures of the AIX CSD for the management of settlement fails.

### **2. Definitions**

Definitions used in these procedures are identical to definitions in AIX CSD Business Rules.

Annual Guarantee Cap means the total amount that AIX CSD may pay during a calendar year to cover losses that occur during the performance of either Buy-in / Sell-out or Cash Compensation.

Available Guarantee means the lower amount of Event Guarantee Cap and Annual Guarantee Cap less any amounts paid (and not yet recovered) for events in the current calendar year.

Buy-in / Sell-out means the process described in 4.4.

Cash Compensation means the process described in 4.5.

Cash Compensation Amount means amounts that the Failing Participant shall pay to AIX CSD and amounts that AIX CSD shall pay to Non-Failing Participants following Cash Compensation.

Event Guarantee Cap means the total amount that AIX CSD may pay upon any single event to cover losses that occur during the performance of either Buy-in / Sell-out or Cash Compensation.

**Failing Participant** means the participant causing a settlement to fail due to not delivering the required money or securities.

**Fair Price** means the price used by AIX CSD for the purposes of calculating the Cash Compensation Amount. Fair Price will generally be the median of current highest market bid price, current lowest asking price in the market and the latest traded price. The Fair Price may also be adjusted by the Valuation Adjustment as described in 4.5.3.

**Non-Failing Participant** means the counterparty to a settlement transaction with a **Failing Participant**.

**Spread Rate** means the amount by which the Fair Price will be adjusted to take into account differences in bid and offer prices in the market.

**Valuation Adjustment** means an adjustment of the Fair Price that AIX CSD may apply at its own discretion. It will be applied in the cases where AIX CSD defines that performing buy-in or sell-out transactions in the market of the size of a failed settlement transaction may significantly impact trading prices.

### 3. Identifying settlement fails

- 3.1. Settlement fails are any delivery obligations (securities and/or cash) that are not delivered on the intended settlement date (ISD) (which equals trade date + 2 **Business Days**).
- 3.2. Participant is not be deemed a Failing Participant, if such participant fails to deliver securities or cash due to the failure of another participant to deliver securities or cash in AIX CSD.
- 3.3. All settlement fails may give rise to monetary penalties as set out in a separate market notice "AIX CSD Settlement fail penalties".

### 4. Management of settlement fails

- 4.1. AIX CSD manages settlement fails through the process of Buy-in / Sell-out, as described in 4.5.



**4.2.** Notwithstanding the section 4.1, AIX CSD manages settlement fails through the process of Cash Compensation in the following cases:

- a) sufficient amount of securities is not available to purchase;
- b) the liquidity strains of the transactions for AIX CSD is high
- c) the market losses may exceed the Available Guarantee Amount.

**4.3.** For settlement fails that is rectified within or on ISD + 1 business day, the further 4.5 – 4.6 do not apply.

**4.4.** For settlement fails that are not rectified at end of day on ISD + 1 business day, the following 4.5 – 4.6 shall apply.

**4.5.** Buy-in / Sell-out procedure includes:

**4.5.1.** AIX CSD cancels the failing settlement transactions in the AIX CSD system.

**4.5.2.** AIX CSD enters into transactions on AIX via AIX Trading Members, other than the Failing Participant and Non-Failing Participant, which are the opposite of the transactions entered into by the Failing Participant.

**4.5.3.** AIX CSD replaces the settlement transactions cancelled (as per 4.5.1) with settlement transactions where AIX CSD replaces the Failing Participant as one party to the transaction.

**4.5.4.** Transactions where AIX CSD is buying securities on the market are referred to as Buy-in Transactions. Transactions where AIX CSD is selling securities on the market are referred to Sell-out transactions.

**4.5.5.** Description of a buy-in transaction is specified in Annex 2.

**4.6.** Cash Compensation procedure includes:

**4.6.1.** AIX cancels the failing settlement transactions in the AIX CSD system.

**4.6.2.** AIX calculates one or more Cash Compensation Amounts that are:

**4.6.2.1.** to be paid by the Failing Participant to AIX CSD within 7 working days of invoice issuance accompanied by specifications of the amount;

**4.6.2.2.** to be paid by AIX CSD to the Non-Failing Participant.

**4.6.3.** Procedure for calculation of Cash Compensation Amounts includes:

**4.6.3.1.** AIX CSD calculates Cash Compensation Amount separately for each cancelled settlement transaction.

**4.6.3.2.** For transactions where the Failing Participant is the buyer of securities:

**4.6.3.2.1.** Cash Compensation Amount is calculated in accordance with the following formula:

number of securities \* (original transaction price – Fair Price \* (1 – Spread Rate)).

**4.6.3.3.** For transactions where the Failing Participant is the seller of securities:

**4.6.3.3.1.** Cash compensation Amount is calculated in accordance with the following formula:

number of securities \* (Fair Price \* (1 + Spread Rate) – original transaction price).

- 4.6.3.4.** Positive amounts are payable by the Failing Participant to AIX CSD and by AIX CSD to the Non-Failing Participant. Negative amounts are treated as zero.
- 4.6.3.5.** If AIX CSD forms the opinion that the size of the transaction would drive the market price down, AIX CSD may apply downward Valuation Adjustments to the Fair Price. Maximum of such Valuation Adjustments is specified in Annex 1.
- 4.6.4.** AIX CSD sums the Cash Compensation Amounts of all transactions into one amount for each participant.
- 4.7.** Description of Cash Compensation is specified in Annex 3.

## **5. Guarantee fund and AIX CSD liability limitations**

- 5.1.** AIX CSD, upon settlement fails, cancels the original settlement transactions and either perform necessary trades on the AIX market or calculate cash compensation to be paid to Non-Failing Participants.
- 5.2.** AIX CSD will guarantee funds for such purpose up to total amounts of:
  - 5.2.1.** KZT 740 million per calendar year (Annual Guarantee Cap); and
  - 5.2.2.** KZT 370 million per any one event (Event Guarantee Cap)
    - 5.2.2.1.** A single event may comprise of several settlement instructions in several securities traded over several days, however, limited to one participant.
    - 5.2.2.2.** Available Guarantee is the available amount for any one event. Available Guarantee shall be defined as the lower amount of the Event Guarantee Cap and the Annual Guarantee Cap less any amounts paid (and not recovered) for events in the current calendar year.
    - 5.2.2.3.** The date on which AIX CSD initiates buy-in / close-out or the Cash Compensation processes is the relevant date for determining the year when an event occur.
- 5.3.** If the compensation amounts to be paid to Non-Failing Participants exceeds the Available Guarantee:
  - 5.3.1.** AIX CSD reduces the compensation amounts for all Non-Failing Participants pro rata;
  - 5.3.2.** AIX CSD ensures that the Cash Compensation paid out in total does not exceed the Available Guarantee;
  - 5.3.3.** AIX CSD advances any funds received from the Failing Participant (or the administrator of the Failing Participant in case of bankruptcy / insolvency / unwinding) pro-rata to Non-Failing Participants until the original Cash Compensation amount has been paid in full.

## Annex 1

### Spread rates and Maximum Valuation Adjustments on AIX listed and traded securities

Security	Spread Rate	Max Valuation Adjustment
All AIX listed securities	1%	10%

### Description of Buy-in transaction

#### AIX Transaction:

Date	Buying Broker	Buying Broker Account	Selling Broker	Selling Broker Account	ISIN	Quantity	Price (KZT)	Amount (to be settled)
1	Broker A	Client 1	Broker B	Client 2	KZ001	100	8000	80.000

Broker B failed to deliver the securities on ISD (day 3) and on ISD +1 (day 4).

At the end of day 4 the last traded price is 9000,00.

On day 4 (end-of-day):

AIX CSD cancels the settlement transaction in the AIX CSD system.

AIX CSD transfers KZT 100.000 to Broker X for the purchase of the shares (as we do not know what the actual transaction price will be the next day).

AIX CSD orders Broker X (with which AIX CSD has a client account) to buy 100 KZ001.

AIX CSD enters a settlement transaction into its system where AIX CSD (from its client account with Broker X) will deliver 100 KZ001 to Broker A (the sub-account of Client 1) for KZT 8000 per share.

AIX CSD notifies both parties that it will perform a buy-in of 100 KZ001 at the risk and expense of Broker B.

On day 5:

Broker X successfully buys 100 KZ001 on behalf of AIX CSD at a price of 9200 per share. To be settled on day 7.

AIX CSD sends invoice to Broker B where it should pay to AIX CSD within 7 working days:

KZT 12.000 (to cover the market loss incurred by AIX CSD)

KZT ? (to cover the brokerage fees levied by Broker X to AIX CSD)

KZT ? (as a service charge payable to AIX CSD for the execution of the buy-in).

On day 7:

The AIX CSD purchase of 1000 KZ001 (at a price of 9200) settles.

The AIX CSD sell of 1000 KZ001 to Broker A (client 1) settles.

AIX CSD requires Broker X to return the KZT 80.000 to AIX CSD's account.

The Available Guarantee is now KZT 159.988.000 (160 million less the 12.000 which has not yet been recuperated).

Within day 12:

Broker B pays its invoice to AIX CSD.

Available Guarantee is again KZT 160 million.

### **Description of Cash Compensation**

AIX Transaction:

Date	Buying Broker	Buying Broker Account	Selling Broker	Selling Broker Account	ISIN	Quantity	Price (KZT)	Amount (to be settled)
1	Broker A	Client 1	Broker B	Client 2	KZ001	50.000	8.000	400.000.000

Broker B failed to deliver the securities on ISD (day 3) and on ISD +1 (day 4).

At the end of day 4 the last traded price is 9000,00. Best Bid / Ask were 8.950 and 9.050 respectively.

The liquidity need (for the purchase of the securities) of estimated 450 million is more than the Available Guarantee. Thus, AIX CSD will proceed to Cash Compensation.

Available ask orders towards the end of trading hours totalled 10.000 securities and, in AIX CSD's opinion, a purchase of 50.000 securities in the market would have a significant impact on the trading price.

Maximum Valuation Adjustment is 10% for KZ001. Spread Rate is 1%.

On day 4 (end-of-day):

AIX CSD cancels the settlement transaction in the AIX CSD system.

AIX CSD performs calculation of Cash Compensation:

Fair price in the market (9.000) is adjusted upwards by 10% to 9.900.

Number of shares \* (Fair Price \* (1 + Spread Rate) – original transaction price)) becomes:

$$50.000 * (9.900 * (1 + 0,01) - 8.000) = 99.950.000$$

AIX CSD notifies both parties that the settlement transaction in AIX CSD has been cancelled and that AIX CSD has proceeded to calculate Cash Compensation due to the size of the transaction. Further, that the estimated current market price of the securities has been adjusted upwards by 10% from KZT 9.000 to KZT 9.900.

With a Spread Rate of 1%, original share price of 8.000 and volume of 50.000 securities, the cash compensation is calculated to be 99.950.000.

AIX CSD will further send an invoice to Broker B of this amount payable within 7 business days.

AIX will credit Broker A as the Non-Failing Participant the equal amount.



### ATTACHMENT 3 CSD FORMS

The prescribed forms in these Procedures are in the table below:

CSD-PAF	Participant Application Form
CSD-PoA	Power of Attorney Form
CSD-RPA	Application Form for Responsible Person
CSD-RPCC	Responsible Person Compliance Certificate Form
CSD-AD	Required Documents for applying Participants
CSD-PAOF	Participant Account Opening Request
CSD-IAO	Investor Account Opening Request
CSD-BUNA	Participant's Investors Account Opening Form
CSD-IST	Internal Securities Transfer Form
Reg-CSD-ETF	Securities Transfer Form
CSD-WRN	Cash Transfer Form