

Astana International Exchange Central Securities Depository Limited

Market Notice 2020-06-19_01

Securities Lending & Borrowing Eligibility Requirements & Operational Procedures

Date	19/06/2020
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1. INTRODUCTION

- 1.1. Securities Lending and Borrowing eligibility requirements & operational procedures (hereafter “Notice”) are developed pursuant to Section 6 of AIX CSD Business Rules and AIX CSD Procedures.
- 1.2. The Participant of AIX CSD may lend or borrow the Admitted Products on AIX CSD, subject to requirements set out in this Notice, AIX CSD Business Rules and AIX CSD Procedures, GMSLA. In this Notice, the term “GMSLA” refers to either the Global Master Securities Lending Agreement or any other bilateral agreement approved by AIX CSD.
- 1.3. AIX CSD Participants may enter into Lending Transaction in which the Lender transfers to the Borrower the Admitted Products against the transfer of the Collateral (as defined below) with a simultaneous agreement by the Borrower to transfer to the Lender the Admitted Products equivalent to such Admitted Products on a fixed date or on demand against the transfer of assets equivalent to such Collateral by the Lender to the Borrower.

2. SCOPE

- 2.1. The Notice applies to the Participant or its client, who is or intends to be the Lender or the Borrower of the Admitted Products.

3. APPROVAL AND REGISTRATION

To act as the Lender or Borrower, an applicant must obtain the approval of AIX CSD subject to meeting the following requirements:

- 3.1. The applicant must be either:
 - a. AIX CSD Participant; in addition, a client of AIX CSD Participant may also be the applicant;
 - b. A Recognised non-AIFC Member which has an account with an AIX CSD Participant; or
 - c. An AIFC Member which has an account with the AIX CSD (directly or indirectly).
- 3.2. The applicant must submit its application to AIX CSD according to the designated form accompanied with the information and documents supporting such application and referred to in the AIX CSD Procedures (Procedures for Rule 6.3.3.a), and more specifically:
 - a. Evidence of the availability of the technical and administrative capabilities required to implement the tasks, and the management of the accounts related thereto;
 - b. Evidence of the availability of the necessary solvency required to implement the tasks according to the standards issued by AIX CSD in this regard;
 - c. An organizational chart, indicating its departments / entities;
 - d. Evidence of the availability of a system for keeping the documents of the Lending Transactions containing the client names, the processes, collected commissions and fees;
 - e. A report clarifying the technical systems and process systems used to manage the securities lending and borrowing accounts;
 - f. A report detailing the internal control systems and principles in relation to the lending and borrowing activity.
- 3.3. Once these are published, the applicant must not have committed a material violation to the solvency standards as approved by AIX CSD during the six months preceding the application approval date.
- 3.4. The Applicant must pay any approval fees that may be determined by the AIX CSD. These fees are waived for 2019 and 2020.
- 3.5. AIX CSD shall issue its decision approving or rejecting the application within 30 days from receipt of the application submitted under the requirements set out in these Notice. AIX CSD may require any further clarifications, information or documents as it deems necessary to grant its approval.
- 3.6. Approval shall be valid for as long as applicant is compliant with the eligibility set out in this Notice and / or applicant's AIX CSD Participant agreement with AIX CSD is terminated or expires.

4. LENDER AND BORROWER OBLIGATIONS

- 4.1. To be registered with AIX CSD;
- 4.2. Provide AIX CSD with a copy of GMSLA;
- 4.3. Maintain an account with AIX CSD directly or through AIX CSD Participant;
- 4.4. Ensure that there is a sufficient quantity of Admitted Products of the Lending Transaction to complete the lending process;

- 4.5. Receive sufficient Collateral;
- 4.6. Keep the records in relation to Lending Transactions for at least six years and keep a backup thereof for the same period. Such records must include all the agreements, instructions and otherwise;
- 4.7. Maintain its solvency according to the solvency standards approved by AIX CSD.

5. LENDER REPRESENTATIVE AND BORROWER REPRESENTATIVE OBLIGATIONS

- 5.1. Record the Lending Transactions implemented by any of its clients according to the procedures followed thereby;
- 5.2. Provide AIX CSD with a copy of the GMSLA;
- 5.3. Obtain an authorization from the client;
- 5.4. Inform the client of all the particulars and steps taken; and
- 5.5. Keep the records in relation to Lending Transactions for at least 6 (six) years and keep a backup thereof for the same period. Such records must include all the authorizations, agreements and instructions.

6. GMSLA

- 6.1. Pursuant to Clause 6.3.2 of AIX CSD Procedures, the GMSLA must be entered into by the Lender and the Borrower, in line with this Notice, requirements and terms issued by AIX CSD.
- 6.2. The Lender shall be entitled to all the material rights related to the lent Admitted Products unless the agreement between the Lender and the Borrower states otherwise.
- 6.3. Each of the Lender and the Borrower must inform AIX CSD of any Lending Transaction, and must provide AIX CSD with any reports, information or documents immediately or within the timeframe fixed by AIX CSD.

7. COLLATERAL

- 7.1. Unless otherwise mutually agreed by the parties to the GMSLA, a collateral provided for borrowing the Admitted Products must be either:
 - a. A cash deposit not less than (105%) of the loaned Admitted Products;
 - b. An unconditional bank guarantee issued by a bank of not less than (105%) of the loaned Admitted Products payable upon request. If the Lender is a natural person residing in the Republic of Kazakhstan, such bank guarantee must be issued by a bank operating in the Republic of Kazakhstan; or
 - c. The Admitted Products owned by the Borrower with market value no less than (110%) of the loaned Admitted Products.
- 7.2. The above-mentioned deposit or bank guarantee must be held with the Lender or the Lender Representative, and the obligations set forth in Clauses 7.4 to 7.7 of these Notice must apply to the holder of such cash deposit or bank guarantee.
- 7.3. Admitted Products provided as Collateral must be held within the system of the AIX CSD, provided that the Lender observes the obligations set forth in Clauses 7.4 to 7.7 of these Notice.
- 7.4. The Lender or the Lender Representative must recalculate the Collateral amount on a daily basis according to the market value of the Admitted Products (the Closing Rate).
- 7.5. The Lender or the Lender Representative must require the Borrower to restore the Collateral when the Collateral amount falls below the rate of 100% when the collateral exists in the form of securities and 95% for collateral held in cash or bank guarantee. The Collateral must be restored no later than two working days from the date of such request.
- 7.6. In case the Collateral amount cannot be restored to such rate (mentioned in Clause 7.5 of these Notice), the Lender must recall the Borrowed Product in part or in full to restore the Collateral.
- 7.7. The Lender or the Lender Representative, or AIX CSD must liquidate the submitted Collateral if the Borrower fails to submit the additional Collateral within the fixed deadline, and such liquidation must be done on the day following the expiry of the deadline set out in Clause 7.5 of these Notice.
- 7.8. The Lender or the Lender Representative must, upon liquidation of the Collateral, inform AIX CSD of such liquidation.
- 7.9. In case of any inconsistency between Clauses 7.2 to 7.8 of these Notice and the GMSLA, the GMSLA prevails.

8. PROCEDURES

- 8.1. Once the terms of the Lending Transaction are agreed between the Borrower and the Lender, the Lender or the Lender Representative must submit FOP instruction in accordance with section 6.3.3.b of AIX CSD Procedures to transfer the loaned Admitted Products to the Borrower's account.
- 8.2. The Borrower or the Borrower Representative must submit FOP instruction in accordance with section 6.3.3.b of AIX CSD Procedures to transfer the loaned Admitted Products from the Lender's account.
- 8.3. The Lender, the Borrower and the Lender Representative, the Borrower Representative must submit the application, letter of request or notification to AIX CSD by the email slb@aix.kz, in the following cases:
 - a. The Lender or Borrower intent to return the Admitted Products (Appendix 2, copying the Lender/Borrower);
 - b. The modification of any information and documents related to the Lender or Borrower (notification);
 - c. Updating the details of the loan and the Collateral (notification);
 - d. Termination of the GMSLA with or without recovering the lent Admitted Products (Appendix 1, copying the Lender/Borrower); or
 - e. Any other cases as required by AIX CSD (letter of request/notification).
- 8.4. The lent Admitted Products must be transferred from the Lender's account to the Borrower's account by the AIX CSD as soon as possible and, in any case, within the same working day.
- 8.5. AIX CSD may refrain from or cancel any Lending Transaction and recover the loaned Admitted Products in case of failure to observe this Notice. In case of insufficiency of the Admitted Products, AIX CSD may determine the necessary action on a case by case basis after consultation with the Lender or the Lender Representative.
- 8.6. The FOP Instructions must contain a unique Transaction Confirmation Number (TCN) to be agreed between the Lender and the Borrower and reference to the GMSLA. The TCN and reference to the GMSLA must be indicated for matching the FOP Instructions by the AIX CSD.

9. END OF THE LOAN AND / OR RECALL

- 9.1. The transfer of the borrowed Admitted Products at the end of the loan or in case of recall shall be made in accordance with the GMSLA and, in part of transfers within the system of the AIX CSD, in accordance with the AIX CSD Business Rules and Procedures.

10. FEES AND COMMISSIONS

- 10.1. Securities lending fees are agreed upon between the Lender and the Borrower.
- 10.2. AIX CSD determines the fees applicable to Free-of-Payment (FoP) internal transfers in relation to Lending Transactions.

11. PENALTIES

In case of breach of the above Notice, AIX CSD may:

- 11.1. Send a warning to the Borrower, Lender, Borrower Representative, Lender Representative;
- 11.2. Withhold or cancel the approval given to the Borrower or to the Lender or prevent the Lender Representative from lending Admitted Products;
- 11.3. Suspend or prevent AIX CSD Participant from acting as Lender Representative, Borrower Representative;
- 11.4. Consider the violation and impose any suitable penalty.

12. DEFINITIONS

- 12.1. Capitalised terms used but not defined in this Notice have the meanings defined in the Acting Law of AIFC and AIX CSD Business Rules, AIX CSD Procedures unless explicitly defined otherwise; and
- 12.2. The Lender Representative means AIX CSD Participant, who represents their client (Lender) in the Lending Transaction;
- 12.3. Borrower Representative means AIX CSD Participant, who represents their client (Borrower) in the Lending Transaction.

Appendix 1 – Application to Terminate Loan without the Return of Loaned Securities Form

Date:
Ref:

To: AIX CSD
Transaction Confirmation Number:

APPLICATION TO TERMINATE LOAN WITHOUT THE RETURN OF LOANED SECURITIES

1. Lender Details

NIN	Account Number	Name

2. Details of Outstanding Loans

No.	Loan Reference Number	Stock Name	Stock Code	Outstanding Loan Quantity

Cancellation Effective Date

Reasons for Cancellation*
**(copy of supporting documents must be enclosed)*

Appendix 2 – Loan Return Request Form

Date:

Ref:

Transaction Confirmation Number:

To: [Borrower/Lender]

APPLICATION TO RETURN LOANED SECURITIES

Name of Borrower:

Transfer from (Details of Borrower or Borrower's Investor Client)

Transfer to (Name of Lender)

No.	Loan No.	Reference	Stock Code	Stock Name	Quantity	Effective Date of Return