

# AIX CSD PROCEDURES

(Providing Custody)

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## 1. PURPOSE

These Procedures set out processes and conditions governing provision by AIX CSD of Custody Services, which may or may not be connected to the provision of clearing services by AIX CSD.

## 2. INTERPRETATION

For the avoidance of doubt all capitalized terms used herein shall have meanings given to them in AIX CSD Business Rules, AIX CSD Procedures or these Procedures.

**Account** means a personal custody sub-account in the name of a Client under AIX CSD's nominee account established in the depository system of AIX CSD pursuant to and in accordance with the terms and conditions of the Custody Agreement. For the purposes of the AIFC Conduct of Business Rules, an Account shall be deemed a Client Investment Account.

**Admitted Products** shall have the meaning given in AIX CSD Business Rules.

**AIX** means Astana International Exchange Limited.

**AIX CSD** means Astana International Exchange Central Securities Depository Limited.

**App** means a mobile application developed by AIX under the brand name "Tabys" and licensed to AIX CSD on a non-exclusive basis for the purpose of facilitating exchange of information between AIX CSD as custodian and its Retail Clients in connection with Custody Services, including, but not limited to, remote KYC and onboarding, client identification, client communication, client reporting and facilitation of Corporate Action.

**Client** means Retail Client and/or, as applicable, an Issuer of Admitted Products being a Deemed Professional Client for the purposes of the AIFC Conduct of Business Rules.

**Client Investment** means Admitted Product held in Account on behalf of a Client in the course of, or in connection with, the provision of Custody Services by AIX CSD.

**Client Money** means all money received or held on behalf of a Client arising from, or in connection with, the holding of Admitted Products on its Account, and/or the Corporate Action carried out by the Issuer for the benefit of holders of Admitted Products, subject to exclusions as set out in the AIFC COB 8.2.1.

**Corporate Action** means corporate action initiated by an Issuer in respect of Admitted Products, such as distribution of dividend or coupons, payment of principal on maturity or other payments due to Retail Client from the Issuer, exercising voting rights, securities splits, rights offerings, repurchases, corporate reorganizations, and other action carried out by the Issuer that directly affects holders of Admitted Products.

**Custody Agreement** means a model custody service agreement, as amended from time to time, between AIX CSD and a Client in relation to Custody Services; and where a Client is a Retail Client, the Custody Agreement shall be deemed to incorporate the Privacy Policy and the Terms of Service.

**Custody Services** mean services rendered by AIX CSD in respect of the Admitted Products to Clients via the App in the depository system of AIX CSD pursuant to the terms of the documents listed in clause 3.1 hereof, including the following services: the electronic recording of interests in Admitted Product, the electronic transfer of title to Admitted Product, opening and maintenance of Accounts, the deposit and withdrawal to/from such Accounts of Admitted Products and/or money arising from, or in connection with, the holding of Admitted Products, and facilitating Corporate Action.

**Direct Subscription** means purchase by Retail Client of Admitted Products directly from an Issuer, which has issued such Admitted Products on AIX, pursuant to the terms and conditions set out in the offering documentation published by the Issuer of Admitted Products on its website and/or via Regulatory Announcement Service on AIX website.

**Distribution Event** means the appointment of a liquidator, receiver or administrator, or trustee in bankruptcy, over AIX CSD, or a Third-Party Account Provider of the AIX CSD (Settlement Bank); or the coming into force of a direction by the AFSA in respect of all Client Assets held by AIX CSD.

**Issuer** means a Kazakhstani or foreign legal entity which issued or intends to issue Admitted Product and seeks to admit (or has admitted) it to the AIX Official List.

**Privacy Policy** means a document, as amended from time to time, that explains how AIX CSD and its affiliates handle personal data of Retail Clients gathered in connection with opening and maintaining their Accounts and rendering Custody Services.

**Professional Client** means an Issuer, which opened an Account for the purpose of offering Admitted Products on AIX markets. For the purposes of the AIFC Conduct of Business Rules, an Issuer is automatically classified by AIX CSD as a Deemed Professional Client.

**Retail Client** means Kazakhstani or foreign natural person holding or intending to hold Admitted Products, who successfully passed KYC clearance of AIX CSD and accepted terms of the Custody Agreement.

**Terms of Service** mean standard terms and conditions, as amended from time to time, governing access to, and use of, the App by Retail Clients.

### 3. CLIENT AGREEMENT AND CLIENT CLASSIFICATION

3.1. Custody Services are provided to Clients in respect of Admitted Products electronically in accordance with the terms of:

- Custody Agreement;
- AIX CSD Business Rules and Procedures (as supplemented by these Procedures) as might be applicable in relation to the depository system standard operational processes in connection with the Custody Services.

AIX CSD Business Rules and Procedures are published on AIX CSD's website (please refer to section "Clearing & Settlement/ Regulatory Documents"). The Custody Agreement with Retail Client is accessible through the App. A Retail Client accedes to the documents set out in this clause 3.1 by accepting their terms via the App. Such acceptance is deemed a due execution of the said documents in electronic format by AIX CSD and Retail Client. An Issuer (Professional Client) executes the Custody Agreement and account opening form by signing and exchanging electronic and hard copies with AIX CSD.

3.2. AIX CSD may amend the documents listed in clause 3.1. hereof in a manner specified in these documents. If a Client does not wish to accept amendments, the Client may terminate its relationship with AIX CSD by closing its Account subject to termination clause of the Custody Agreement.

3.3. AIX CSD classifies all Retail Clients as a "Retail Client" for the purposes of the AIFC Conduct of Business Rules and Retail Clients will be afforded a level of protection available to "Retail Client" under the AIFC Conduct of Business Rules ("AIFC COB"). Retail Client is not a Professional Client or a Market Counterparty.

- 3.4. AIX CSD classifies all Issuers as a “Deemed Professional Client” pursuant to the AIFC COB 2.4.1, unless an Issuer requests AIX CSD to classify it as a “Retail Client” pursuant to the AIFC COB 2.6.1 at the time of signing of a Custody Agreement. “Retail Clients” enjoy the higher level of protection under the AIFC COB. Classification of an Issuer as a “Retail Client” does not mean that it will have the rights and obligations imposed on a Retail Client by the provisions of the Custody Agreement.

#### **4. SCOPE OF CUSTODY SERVICES**

- 4.1. AIX CSD does not render to Clients any services other than Custody Services pursuant to the terms and conditions of the Custody Agreement. Provision of any services outside the Custody Services is subject to applicable regulations and a separate legal agreement between AIX CSD and a Client.
- 4.2. If a Retail Client wishes to sell, buy and/or otherwise deal in its Admitted Products held in its Account, the Retail Client must appoint a broker, being a Participant of AIX CSD, and submit sell and/or buy orders to such broker. AIX CSD does not accept, or process, sell and/or buy instructions from Retail Clients, unless instructed by an Issuer in connection with Corporate Action for respective Admitted Products.
- 4.3. Unless specifically provided in the Custody Agreement between AIX CSD and a Client or these Procedures, operations of AIX CSD are governed by the AIX CSD Rules and the AIX CSD Procedures (<https://aix.kz/clearing-settlement/regulatory-documents/>).

#### **5. ACCOUNT**

- 5.1. In order to open an Account in the depository system of AIX CSD:
- (a) a Retail Client must download the App to its personal mobile device and complete KYC procedure, following which the Retail Client will be offered to accept terms of the Custody Agreement, including the Terms of Service and the Privacy Policy. Once accepted, AIX CSD opens an Account in the name of the Retail Client;
  - (b) an Issuer may complete (optionally) the relevant documents during the onboarding KYC in connection with admission of its securities to the AIX Official List, following which AIX CSD opens an Account in the name of the Issuer. The Issuer may choose to establish relationship with AIX CSD via AIX CSD Participant.

The Account is being opened as Client’s personal sub-account under the AIX CSD’s nominee account established in the depository system of AIX CSD pursuant to AIX CSD Rules and Procedures with a sole purpose of providing Custody Services in respect of the Admitted Products.

- 5.2. AIX CSD will maintain a separate Account for each Client and ensure that the Admitted Products held on behalf of the Client are not mixed with its own assets, or those of other Clients or AIX CSD Participants.
- 5.3. Retail Client may instruct AIX CSD via the App to close an Account. Once Account is closed, the Custody Agreement between AIX CSD and Retail Client (including the Terms of Service and the Privacy Policy) shall automatically terminate.
- 5.4. An Issuer may terminate the Custody Agreement pursuant to the terms of the termination clause therein. Upon termination of the Custody Agreement, the Account will be closed automatically.
- 5.5. A Client may terminate its Custody Agreement and close its Account, only if the Account has zero balance. Notwithstanding termination of the Custody Agreement by the Client, the provisions of the Custody Agreement and all mutual rights and obligations arising therefrom

in so far as they relate to dealing or operations with Admitted Product, except in so far as the same are contrary to or inconsistent with such termination or withdrawal, shall continue to be binding on the parties in respect of all acts, deeds, matters and things done or effected during the period when such Custody Agreement was effective.

- 5.6. AIX CSD may on its own initiative close any Account that has a zero balance and/or has had no Account activity for a period of 6 months or more.
- 5.7. Each Retail Client irrevocably authorises AIX CSD (and directs AIX CSD to accept without reference to the Retail Client) to debit or credit Admitted Product from or to the Retail Client's Account and/or take such other action in respect of its Account in accordance with AIX CSD Business Rules (including allocation of Admitted Products to a Retail Client in Direct Subscription) and/or as a result of a Corporate Action and/or pursuant to Retail Client's Depository Instruction (FOP Instructions or take-up / give-up instructions). AIX CSD must debit and/or credit and/or take such other action in respect of Admitted Products and Accounts as instructed or authorised in accordance with AIX CSD Business Rules.

## 6. CLIENT ASSETS

### Client Money Rules

- 6.1. The Client Money will be kept on a nominee account of AIX CSD segregated from AIX CSD's own funds ("**Client Money Account**") opened with the approved Settlement Bank (a Third-Party Account Provider). AIX CSD selects and approves Settlement Banks pursuant to the AIX CSD Policy for the selection of the Settlement Bank(s), subject to successful due diligence in respect of such Settlement Bank and its compliance with eligibility criteria.
- 6.2. Money recorded in the Client Money Account is (deemed to be) held by AIX CSD as trustee for that Client to the exclusion of all other Clients or Participants; and such Client is recognized as the sole beneficial owner of that money.
- 6.3. AIX CSD must:
  - 6.3.1. identify all deposits and withdrawals of Client Money on the Client Money Account and maintain records which enable AIX CSD (i) to determine promptly the total amount of Client Money that it holds for each Client, and (ii) to demonstrate and explain all the deposits and withdrawals of Client Money in the backoffice / depository system of AIX CSD;
  - 6.3.2. pay the Client Money into respective Accounts within one (1) bank operational day following the day of its receipt, except for settlement of DVP/ FOP transactions, where the settlement time and manner are prescribed by AIX CSD Rules and Procedures (clearing house activities);
  - 6.3.3. identify money which must not be in a Client Money Account pursuant to reconciliation procedures set out in section 7 hereof and transfer it without delay.
- 6.4. AIX CSD must not, unless required under compulsion of law:
  - 6.4.1. use Client Money belonging to one Client to satisfy an obligation of another Client;
  - 6.4.2. off-set or debit balances on Client Money Account.
- 6.5. Client Money remains in a Client Money Account until it is paid or withdrawn:
  - 6.5.1. in accordance with an instruction from the Client on whose behalf the Client Money is held;
  - 6.5.2. to meet the payment obligations of the Client on whose behalf the Client Money is held; or
  - 6.5.3. in circumstances that are otherwise specified in the Custody Agreement.

- 6.6. No money balance held on behalf of a Client on Client Money Account in the Settlement Bank will bear interest.

#### Client Money Distribution Rules

- 6.7. Following a Distribution Event, AIX CSD must comply with these Client Money Distribution Rules and distribute Client Money in the following order of priorities:
- 6.7.1. in relation to Client Money held in a Client Money Account on behalf of Clients, claims relating to that Money must be paid to each Client in full or, where insufficient funds are held in a Client Money Account, proportionately, in accordance with each Client's valid claim over that Money;
  - 6.7.2. where the amount of Client Money in a Client Money Account is insufficient to satisfy the claims of Clients in respect of that Money, or not being immediately available to satisfy such claims, all other Money held by AIX CSD must be used to satisfy any outstanding amounts remaining payable to Clients in respect of their Client Assets but not satisfied from the application of 6.7.1 above;
  - 6.7.3. upon resolution of claims in relation to Clients, any Money remaining with AIX CSD must be paid to each Client in full or, where insufficient funds are held by AIX CSD, proportionately, in accordance with each Client's valid claim over that Money; and
  - 6.7.4. upon satisfaction of all claims in 6.7.1, 6.7.2, and 6.7.3 above, in the event of:
    - a) the appointment of a liquidator, receiver or administrator, or trustee in bankruptcy over AIX CSD, payment must be made in accordance with the AIFC Insolvency Regulations; or
    - b) all other Distribution Events, payment must be made in accordance with the direction of the AFSA.

#### Client Investments Rules

- 6.8. AIX CSD identifies, registers, or records all Client Investments (Admitted Products) in the name of the Client and holds separately from its own investments or investments of the other Clients or AIX CSD Participants; and such Client is recognized as the sole beneficial owner of that Admitted Product.
- 6.9. AIX CSD may not use Admitted Products and/or Client Money for AIX CSD's own purpose or that of another person.
- 6.10. Client assets are maintained in accordance with, and subject to, the protection conferred by, the Client Money Rules, the Client Investment Rules and Client Money Distribution Rules as specified in these Procedures and the AIFC COB8.

### **7. RECONCILIATION**

- 7.1. AIX CSD reconciles Admitted Products and Client Money in Client Account and Client Money Account, respectively, on a daily basis pursuant to its routine operational procedures under the AIX CSD Business Rules and Procedures.
- 7.2. The Client Money Account reconciliation includes:
- 7.2.1. a full list of individual Client credit ledger balances, as recorded by AIX CSD;
  - 7.2.2. a full list of individual Client debit ledger balances, as recorded by AIX CSD;
  - 7.2.3. formal statements from Settlement Bank(s) showing account balances as at the date of reconciliation.
- 7.3. AIX CSD ensures:



- 7.3.1. reconciliation of the individual credit ledger balances (Accounts) and Client Money Account cash book balances;
- 7.3.2. that the balance in the Client Money Account as at the close of business on the previous day was at least equal to the aggregate balance of individual credit ledger balances (Accounts) as at the close of business on the previous day; and
- 7.3.3. ensure that all shortfalls, excess balances, and unresolved differences, other than differences arising solely as a result of timing differences between the accounting systems of the Settlement Bank and AIX CSD, are investigated and, where applicable, corrective action taken as soon as possible.
- 7.4. AIX CSD performs the reconciliations within 3 working days of the date to which the reconciliation relates.
- 7.5. When performing reconciliations, AIX CSD:
  - 7.5.1. ensures that the reconciliation is performed by an employee who does not operate Accounts or makes payments for the same transactions according to the principle of maker and checker; and
  - 7.5.2. ensures that the reconciliations are reviewed by the Chief Executive Officer of AIX CSD ("**AIX CSD CEO**"). AIX CSD CEO must confirm the undertaken reconciliation in accordance with the requirements specified in this clause 7.
- 7.6. AIX CSD ensures that the process of reconciliation does not give rise to a conflict of interest.

## **8. CORPORATE ACTION**

- 8.1. A Retail Client holding Admitted Product at AIX CSD shall be entitled to all rights incidental to beneficial ownership of the Admitted Product held in an Account in its name, including receipt of interest and dividend or other distribution payments and exercise of voting and other rights. Any interest, dividend, distribution or other benefit received or accrued on any Admitted Product will be credited to the relevant Account of the Retail Client.
- 8.2. Upon receipt of details of any Corporate Action in respect of Admitted Products, AIX CSD will, as soon as is reasonably practicable, notify Retail Clients, for whom it holds those Admitted Products, via the App of those details.
- 8.3. AIX CSD will, upon request of an Issuer of Admitted Product or a relevant authorised person in connection with Corporate Action, provide the Issuer of Admitted Product or a relevant authorised person with the name of a Retail Client on behalf of whom AIX CSD holds those Admitted Products.
- 8.4. *Voting*  
AIX CSD provides proxy voting services to the Retail Clients wishing to exercise their voting rights pertaining to Admitted Product via the App.
- 8.5. *Payments*  
Where any interest, dividend or other amount of money in respect of Admitted Products as a result of a Corporate Action is received on AIX CSD's Client Money Account, AIX CSD will credit the amount to the relevant Account. Retail Client can withdraw money from its Account to its banking card and/or its bank account; any fees associated with such withdrawal to be borne by the Retail Client.  
Neither AIX CSD nor the Settlement Bank shall be obliged to pay interest on any such amounts.



#### 8.6. *Disclosures by the Issuer*

An Issuer of Admitted Product must disclose to the public any significant matters about the Issuer and its Securities via AIX Regulatory Announcement Service (<https://aix.kz/listings/continuous-disclosure-obligations/company-disclosures-2/>) as prescribed by the AIX Market Disclosure Rules and AIFC Markets Rules. The Retail Clients must familiarize themselves with such disclosures.

AIX CSD is not liable for fulfilment by Issuers of their continuing disclosure obligations and any content thereof. Any complaints relating to disclosure obligations of Issuers of Admitted Products must be filed with AIX pursuant to section 11 “Compliant Handling” hereof.

### 9. **CLIENT COMMUNICATION AND REPORTING TO CLIENTS**

- 9.1. Communication between AIX CSD and Retail Client for the purpose of the client reporting in relation to Account and Custody Services is done via push notifications in the App directly to the Retail Client as a main communication channel. Communication between AIX CSD and Issuer (Professional Client) for the purpose of the client reporting in relation to Account and Custody Services is done via e-mail and/or App or other approved means of communication.
- 9.2. AIX CSD may publish depository announcements on its website (<https://aix.kz/clearing-settlement/depository-announcement/>), send e-mails, SMS, or any other electronic means as specified in the Custody Agreement (please refer to section “Notices”) and/or Terms of Service (please refer to section “Communications”).
- 9.3. A Client will receive the following communications:
  - Confirmation of the Account being opened upon successful registration;
  - Notification on Account movements (credits and debits);
  - Notifications on Corporate Action related to Admitted Products kept on the Account, in order to allow Retail Clients to exercise their rights;
  - Notification of execution of Retail Client’s transfer instructions.
- 9.4. In addition, Retail Client may generate Account statements in the App at any time and Issuer (Professional Client) may request Account statements from AIX CSD via email and/or App or other approved means of communication.
  - (i) The Account balance statement will include the following information, as applicable:
    - Account details and name of the Account owner;
    - Date of the statement;
    - Details of the Admitted Products (Issuer, ISIN);
    - Number of Admitted Products in the Account;
    - Amount of Client Money, including currency;
    - Registered Financial Collateral (if any).
  - (ii) The Account movement statement will include the following information, as applicable:
    - Account details and name of the Account owner;
    - Date of the statement and reporting period covered by the statement;
    - Details on asset transfers to/from the Account (Admitted Products and Client Money);
    - Applicable fees and expenses charged by AIX CSD.

### 10. **CONFLICTS OF INTEREST**

- 10.1. As a commercial company established to operate in the global capital markets, and to adhere to and implement international standards, integrity and professionalism are key to the success of AIX Group along with our professional approach and attention to our clients, counterparties

and partners. AIX Group Code of Conduct (<https://aix.kz/about-aix/rules-regulations/>) establishes basic principles in how we do business, our corporate values and behavioural framework which governs the activities of AIX Group.

- 10.2. We avoid or declare conflicts of interest that may lead (or be seen to lead) to divided loyalties, either now or in hindsight. In order to identify and manage conflict of interest that may arise during the performance of official duties by AIX Group employees, AIX Group may adopt and implement any specific conflict of interest policies.
- 10.3. AIX Group maintains a List of Insiders; and any personal trading by AIX Group's employees in Restricted Securities is subject to the AIX Group Personal Trading Procedures and requires prior approval of the AIX Group Compliance Officer.
- 10.4. AIX Group takes a zero tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever AIX operates and implementing and enforcing effective systems to counter bribery and corruption, including AIX Group Anti-Bribery and Corruption Policy (<https://aix.kz/about-aix/rules-regulations/>).

## **11. COMPLAINTS HANDLING**

- 11.1. A Client may file a complaint pursuant to a process as published on the AIX website at <https://aix.kz/about-aix/rules-regulations/making-a-complaint/>. The complaint will be handled pursuant to the AIX Group Internal Compliance Procedures. Based on outcome of the review of the complaint, AIX Group Compliance Officer may initiate a disciplinary proceeding.
- 11.2. If a Client is not satisfied with the AIX Group's response, the Client may contact the Astana Financial Services Authority (AFSA) at <https://afsa.aifc.kz/submit-your-complaint/>.
- 11.3. AIX and AIX CSD are regulated by the AFSA.

## **12. RECORDKEEPING**

- 12.1. The records-management program of AIX CSD ensures that all records that are required to conduct its business, to fulfil its legal responsibilities, and to support its tax liabilities are maintained and available. The detailed procedures on recordkeeping and retention periods are set out in the AIX Group Information Policy, which applies to activities of AIX CSD.
- 12.2. AIX CSD maintains Retail Clients' records in the back office of the App, including personal data, the Custody Agreements, operations in the Account and the Client Money Account, submitted instructions relating to the Account (and assets therein), all notifications to Clients. These records are kept for at least seven (7) years from the date on which the business relationship with the Client has ended and could be shared with the regulator (AFSA or Financial Intelligence Unit of the Republic of Kazakhstan) to the extent and within the time established by applicable law.