

AIX Market Maker Registration and Supervision Procedures

Astana, Kazakhstan

Market Maker Registration and Supervision Procedures

1

Contents

1	PURPOSE	4
2	SCOPE	4
3	REGISTRATION OF MARKET MAKERS	4
4	SUPERVISION AND ENFORCEMENT OF MARKET MAKER ARRANGEMENTS	6
5	EXTREME MARKET CONDITIONS AND EXTRAORDINARY EVENTS	6
	Annex 1	9
	Annex 2	10

GLOSSARY

Name	Description
AIX	Astana International Exchange Ltd.
AIX CSD	Astana International Exchange Central Securities Depository Ltd.
FTAT	Functional Trading Assessment Testing
IT	IT Department
LD	Legal Department
Market Instrument	Has meaning assigned in clause 3.1.3 hereof
MR	Membership Rules of the AIX Business Rules
MOD	Market Operations Department
PTD	Post-Trade Department
R&C	Regulation and Compliance
TRD	Trading Rules of the AIX Business Rules

1 PURPOSE

These procedures establish a detailed framework for the market maker registration and on-going supervision procedure and ensure that market makers of Astana International Exchange Ltd (AIX) are treated fairly and equitably during the onboarding process and on-going supervision.

2 SCOPE

These procedures are designated for trading members and relevant AIX units in connection with the assessment of trading member's eligibility for market-making activity at AIX and monitoring of the ongoing compliance with criteria and continuing obligations. AIX market making criteria and continuing obligations are set out in the Membership Rules of the AIX Business Rules (MR), Trading Rules of the AIX Business Rules (TRD), Market Maker legal arrangements, and related market notices and these procedures.

3 REGISTRATION OF MARKET MAKERS

3.1 Eligibility Criteria

3.1.1 Pre-conditions for registration as an AIX market maker are:

(i) the Applicant must be an effective AIX Trading Member and AIX CSD Participant, having a dealer license and complying with the Member's continuing obligations pursuant to MR and TRD.

(ii) the Applicant must satisfy AIX that adequate procedures are in place to manage the actual and perceived conflicts of interest that exist between its Market Maker Activities and the Applicant's other trading activities;

(iii) the Applicant must satisfy AIX that its technical connectivity is sufficient to perform the market maker obligations effectively;

(iv) the Applicant must satisfy AIX that it has the professional and organizational capabilities that are appropriate to act as a market maker.

3.1.2 Continuing obligations of a trading member for retaining the market maker registration:

A Market Maker shall at all times:

(i) continue meeting initial requirements as set out in clause 3.1.1 hereof;

(ii) ensure that there is a sufficient quantity of Securities or cash to perform its market maker obligations;

(iii) separate its Market Maker activities from its other trading activities, including identifying itself as a Market Maker by using the provided Market Maker User and specifying Market Making in the account field when entering an Order in the Trading System;

(iv) comply with the special regime of the Market Maker Account as set out in clause 3.1.3 hereof;

(v) comply with each ongoing obligation requirement that is specified in these Procedures, AIX Business Rules, AIX CSD Business Rules, submitted application and the Market Maker agreement (if applicable).

3.1.3 The Market Maker shall perform its Market Maker Activities only via its Market Maker Account. Only Admitted Securities specifically approved for Market Making Activities of such Market Maker (“Market Instrument”) may be transferred to the Market Maker Account. Transfers of Market Instruments out of the Market Maker Account are only permitted to the Market Maker’s House account (so as to ensure that the client’s assets are not used) where:

- (i) such transfer is made to supply or re-fill inventory for the purpose of performing Market Making Obligations; or
- (ii) such transfer out of the Market Maker Account results in non-negative net balance of the same Market Instrument at the Market Maker Account (depository receipts and shares underlying such depository receipts shall not be considered as the same Market Instrument).

For the purposes of these Procedures, “negative net balance of an account” occurs when the Market Maker Account has had more Instruments removed than added, reducing the Market Maker’s ability to fulfil market-making obligations and resulting in insufficient instruments to post offers in line with the Market Maker’s daily obligations..

3.2 Assessment and Registration

3.2.1 A Trading Member that intends to act as a Market Maker in one or more Market Instruments (or additional Market Instruments) should contact MOD at mktops@aix.kz to discuss assessment requirements and applicable conditions and submit an application in a form provided by the MOD. MOD then collects the application documents (as set out in Annex 1 hereto) and intermediates all communication between the Applicant and the respective AIX units.

3.2.2 In furtherance of Rule TRD14.1 of the AIX Business Rules, the initial assessment of a member, that intends to act as a market maker in one or more Market Instruments, includes:

- (i) R&C’s review of the application documents, including assessment of overall compliance with application requirements as set out in clause 3.1.1 hereof;
- (ii) MOD’s functional trading assessment testing (FTAT)
- (iii) IT’s non-functional assessment testing (FAT);
- (iv) Legal’s sign-off in respect of the signed application or any other legal arrangement, subject to clause 3.3 hereof.

3.2.3 Additional assessment of a Market Maker, that applies to act as a market maker in additional Market Instruments, includes:

- (i) R&C’s review of the application form;
- (ii) Legal’s sign-off in respect of the signed application, any other legal arrangement or amendment thereto, subject to clause 3.3 hereof.

3.2.4 Provided that all the documents and information required under these procedures are complete and

received on time, AIX shall generally process an initial application within 5 Business Days and a follow-on application for additional Market Instruments within 2 Business Days. AIX may request a Trading Member to provide further information, documents and/or clarifications to establish whether the Trading Member satisfies the requirements hereunder.

3.2.5 Upon completion of the assessment pursuant to clause 3.2.2 or 3.2.3 hereof, the Compliance Officer can either register or refuse to register, the Market Maker in respect of one or more Market Instruments, following which MOD when applicable (i) initiates enforcement of application or amendment thereto, (ii) activates the Market Maker Account (this does not apply in case of follow-on application for additional Market Instruments) and (iii) informs the Trading Member of the same.

3.2.6 R&C notifies AFSA of new market maker arrangements or any further amendments to existing market maker arrangements as required under AIFC AMI Rule 3.1.4(d).

3.3 Market Making arrangements

3.3.1 Pursuant to AIFC AMI Rule 3.1.4(a), all Market Makers must have written agreements with AIX. Legal arrangements with the Issuers of the respective instruments shall be separately undertaken by the Market Makers subject to requirements of the AIFC AMI Rules, AIX Business Rules and these Procedures.

AIX Business Rules as supplemented by these Procedures (and Annexes hereto), published by way of the AIX Market Notice, have an effect as a binding agreement between AIX and a respective Market Maker, under which each of those Market Makers agrees, by providing the application documents as required under section 3.2. hereof, to observe the AIX Rules to the extent that they apply to such Market Maker and to engage in conduct that such Market Maker is required to engage in under the AIX Rules.

3.3.2 MOD will coordinate obtaining sign-offs required in respect of legal arrangements with the Market Maker.

3.3.3 Either the Market Maker and/or the Issuer may request provision by AIX of the MM statistics on a monthly basis, subject to payment of a fee in the amount of USD 200 per report, unless otherwise determined under the AIX fees schedule. The fee includes VAT (if applicable). Fees due by the companies domiciled in the Republic of Kazakhstan are issued in KZT. Fee is converted into KZT at the exchange rate set by the National Bank of the Republic of Kazakhstan as at the date of the act of services rendered. Amounts due shall be paid within 5 (five) business days from the date of invoices for payment issuance. Overdue invoices shall, at AIX's discretion, bear interest at the rate as specified in the Notice issued by AIX..

3.3.4. AIX has the right to establish or change the requirements and parameters for each Market Maker as permitted by law.

4 SUPERVISION AND ENFORCEMENT OF MARKET MAKER ARRANGEMENTS

4.1. Pursuant to AIFC AMI Rule 3.1.4(c), AIX will monitor and enforce compliance with the Market Making arrangements, including, but not limited to:

(i) If a Market Maker ceases to be an AIX Trading Member or AIX CSD Participant (or its membership at AIX or participation at AIX CSD has been suspended), then such member shall immediately lose the market maker status in all Market Instruments and its Market Maker Account will be suspended/ terminated;

(ii) If a Market Maker fails to settle or settle late due to insufficient quantity of Securities or cash, the Market Maker shall be liable to pay fines as set out in the AIX CSD Fee Schedule (Penalties and Interests Payable by Participants). If late settlement or failed settlement occurs repeatedly, AIX may de-register the Market Maker in respect of such Market Instrument or all Market Instruments;

iii) If a Market Maker fails to separate its Market Maker activities from its other trading activities, including identifying itself as a Market Maker by using provided Market Maker User and specifying Market Making in the account field when entering an Order in the Trading System, AIX may determine the Market Maker to be liable to pay a fine of up to USD 500 per breach and/or AIX may de-register a Market Maker in respect of one or more Market Instruments for which it is registered as such;

(iv) If a Market Maker fails to comply with the special regime of the Market Maker Account as set out in clause 3.1.3 and other provisions hereof, AIX may require the Market Maker to transfer respective Market Instruments (corresponding to the “negative net balance of an account”) back to the Market Maker Account within prescribed period and/or AIX may determine the Market Maker to be liable to pay a fine equal to 2 basis points of the “negative net balance of an account” (based on the previous day closing price value of the securities) and/or AIX may de-register a Market Maker in respect of one or more Market Instruments for which it is registered as such;

(v) If a Market Maker fails to comply with any of the criteria or obligations set out in clauses 3.1.1 - 3.1.3 and other provisions hereof, AIX may de-register the Market Maker in respect of one or more Market Instruments for which it is registered as such. De-registration in respect of all Market Instruments will entail suspension/termination of the Market Maker status and Market Maker Account. De-registration, suspension or termination as Market Maker does not release such member from the market maker obligations in respect of transactions executed in Market Instruments before the de-registration, suspension or termination as Market Maker.

Please also refer to the [Guidance Note on Penalties and Enforcement Action](#).

5 EXTREME MARKET CONDITIONS AND EXTRAORDINARY EVENTS

5.1. Extreme Market Conditions mean volatile market circumstances that, in the reasonably agreed opinion of AIX, after application and consultation with the Market Maker, are likely to lead to a material financial loss to the Market Maker in performing the Market Maker Obligations. If, in the reasonable AIX’ opinion Extreme Market Conditions exist, the Market Maker may, upon consultation with AIX:

a) cease Market Making; or

b) in respect of any Bid and Offer quote:

- increase the Maximum Spread upon consultation with AIX; or
- reduce the Minimum Quantity upon consultation with AIX,

until the Extreme Market Conditions cease or commencement of the following Trading Day, whichever is earlier (“Urgent Action”).

5.2. The Market Maker shall provide AIX with written notice of any Urgent Action taken immediately after taking such action. The notice shall include the following information:

- full details of the relevant Extreme Market Conditions; and
- the period of time for which the Urgent Action will remain in place.

5.3. The Market Maker shall provide AIX with any information requested by AIX in connection with any Urgent Action as soon as reasonably possible.

The Market Maker shall act reasonably and in good faith and in accordance with market practice prevailing at the relevant time in connection with any Urgent Action.

5.4. Without limiting other provisions hereof, the Market Maker Obligations will be temporarily suspended and shall not constitute non-performance of such Market Maker Obligations if Extraordinary Events as they defined hereof take place:

- a) the market provided by AIX for the Market Instrument traded by the Market Makers is in a trading halt or is otherwise suspended by AIX; or
- b) it is impossible for the Market Makers to comply with its Market Maker Obligations due to any cause beyond its control where the Market Maker could not reasonably be expected to have taken such cause into account at the relevant time or, acting reasonably, to have avoided or overcome such cause or its consequences (including but not limited to war, natural disaster, labour dispute, pandemic, national emergency, equipment or system failure) and in such a case, the Market Makers shall:
 - immediately notify in writing the Issuer and AIX after it determines that it is impossible to comply with its Market Maker Obligations with provision of evidence that such circumstances directly affect performance of Market Maker Obligations; and
 - make all reasonable efforts to avoid or remove the cause of non-performance; or
- c) AIX, in its absolute discretion, after consultation with the Market Maker where practicable in the circumstances, considers such suspension appropriate (for example, in circumstances of extreme market volatility, or where suspension is necessary to preserve the integrity and proper functioning of any AIX market). For the avoidance of doubt, suspension means temporary removal of relevant Bid and Offer quotes with the terms of this Agreement related to the Refresh Period being inapplicable.

5.5. The Market Maker shall resume performing its' Market Maker obligations once the relevant circumstances or conditions cease to exist or at the time reasonably determines.

Annex 1

Checklist of Application Documents for AIX Market Makers

Electronic copies of the following documents should be sent via email mktops@aix.kz to MOD and, if requested, hard copies should be provided to AIX at: 55/19 Mangilik El st., block C 3.4., Astana.

For the Applicant to complete:

Document Name	Format	Provided (Y/N)
Application form	Scan and/or Original	
MM Account Opening Request ¹	Scan and/or Original	
Written policies and procedures managing the actual and perceived conflicts of interest that exist between its Market Maker Activities and member's other trading activities (if applicable) ¹	Scan and/or Original	
Confirmation letter signed by the Issuer on the market maker obligation (in case MM arrangement is sponsored by the Issuer)	Scan and/or Original	
FTAT (to be provided by MOD) ¹	Online testing	

¹ Not required in case of follow-on application for registration as Market Maker in additional Market Instruments
55/19 Mangilik El avenue, Astana

Market Making Parameters and requirements

In performing its Market Maker Obligations, the Market Maker must ensure:

- Compliance with the Rules and all applicable laws and regulations;
- Using only trading facilities approved by AIX;
- Enter 2-way prices for at least the applicable minimum quote size for the given security;
- The maximum spread may vary from 1% to 5% depending on the security;
- Maintain valid quotes in each security in which the MM is registered for at least 90% of continuous trading;
- Presence with valid quotes during the opening and closing auction match;
- MM account usage only;
- FIX connectivity.