

CENTRAL SECURITIES DEPOSITORY JSC

REPORT

**on Compliance of Central Securities Depository
JSC with the Principles
for Financial Market Infrastructures**

Almaty
2021

Reporting agency:

Central Securities Depository JSC

The jurisdictions where the FMIs operate:

Republic of Kazakhstan

Competent authorities responsible for the regulation, monitoring and supervision of the FMIs:

National Bank of the Republic of Kazakhstan

**Agency of the Republic of Kazakhstan for Regulation and Development of the
Financial Market**

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GLOSSARY

WKS	workstation
ARDFM	Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market
KASE	Kazakhstan Stock Exchange
KCSD Internet resource	website of the Central Securities Depository with a www.kcsd.kz domain name
reporting person	a person obliged to comply with the legislation of the Republic of Kazakhstan to provide the Central Securities Depository with information on transactions concluded by this person for its inclusion in the register of transactions
FMI	financial market infrastructure
KISC	Kazakhstan Interbank Settlement Center of the National Bank of the Republic of Kazakhstan State Enterprise on the Right of Economic Management
mln	million
bln	billion
IMTS	Interbank Money Transfer System operated by the Kazakhstan Interbank Settlement Center of the National Bank of the Republic of Kazakhstan Republican State Enterprise on the Right of Economic Management
National Bank	National Bank of the Republic of Kazakhstan
Management Board	Management Board of the Central Securities Depository
Code of Rules	a code of rules of the Central Securities Depository
Board of Directors	Board of Directors of the Central Securities Depository
SSS	Securities Settlement System
TR	trade repository
authorized body	a state body for regulation, control and supervision of the financial market and financial organizations
KCSD	Central Securities Depository JSC
Central Securities Depository	Central Securities Depository JSC
CCP	central counterparty

I. EXPLANATORY NOTE

This disclosure of information on compliance with principles for financial market infrastructures has been compiled in accordance with the report of the Committee on Payment and Settlement Systems and International Organization of Securities Commissions - Disclosure Framework and Assessment Methodology (December 2012).

The Central Securities Depository is only organization in territory of the Republic of Kazakhstan that conducts depository activities.

Clients of the Central Securities Depository are:

- 1) organizations engaged in brokerage activities at the securities market with the right to maintain nominee accounts under a license from authorized body or in accordance with the legislation of the Republic of Kazakhstan;
- 2) organizations engaged in brokerage activities at the securities market without the right to maintain nominee accounts under a license from authorized body or in accordance with the legislation of the Republic of Kazakhstan;
- 3) organizations engaged in dealer activities at the securities market under a license from authorized body or in accordance with the legislation of the Republic of Kazakhstan;
- 4) participants that are foreign depositories, custodians and (or) nominees of financial instruments;
- 5) organizations engaged in clearing activities for transactions in financial instruments and (or) CCP activities;
- 6) foreign dealers and (or) other legal entities that are members of the stock exchange and (or) clearing participants of clearing organization;
- 7) organization that registers securities transactions on territory of the Astana International Financial Centre;
- 8) clients of participants, with exception of those entities/persons who have opened sub-accounts in recordkeeping system of the Central Securities Depository on the basis of information provided by participant without disclosing individual details of these entities/persons under terms of nominee agreement and Code of Rules of the Central Securities Depository;
- 9) other individuals and legal entities that have completed procedure for establishing business relations.

The Central Securities Depository has an adequate risk management and business continuity assurance system.

Terms and procedure for the Central Securities Depository to conduct activities at the securities market are established by the Law of the Republic of Kazakhstan "On the Securities Market", regulatory legal acts of authorized body and internal documents - Code of Rules.

II. OVERVIEW OF MAIN CHANGES SINCE THE LAST UPDATE OF DISCLOSED INFORMATION

At the beginning of 2018, the Central Securities Depository opened bank accounts in Citibank N.A., London, in Industrial and Commercial Bank of China (Almaty) JSC and Bank of China Kazakhstan AB JSC. Opening of these accounts was associated with the prospect of becoming a settlement bank under admission to trading in foreign currencies of professional securities market participants that have a license to conduct brokerage and dealing.

In February 2018, Non-Bank Credit Institution National Settlement Depository Joint-Stock Company assigned an international legal entity identifier (LEI code) to the Central Securities Depository used in accordance with international standard ISO 17442 when performing transactions and reporting at financial markets.

In March 2018, together with the National Bank, the Invest Online system was put into operation, allowing citizens of the Republic of Kazakhstan to invest money in securities (notes of the National Bank) online via mobile application or website of the Invest Online system. The Invest Online system uses blockchain technology to record security transactions and confirm corresponding ownership rights. For settlements of security transactions, the National Bank has issued electronic money.

Pursuant to paragraph 3.3 of the Action Plan for introduction of "Financial Services. Universal Financial Industry Message Scheme" ISO 20022 standard in payment systems of the Republic of Kazakhstan for 2018-2022, the Central Securities Depository purchased consulting services in 2018 for development of message formats to register transactions and operations with financial instruments in accordance with international standard ISO 20022. The Central Securities Depository uses developed formats in new automated information system, Securities Depository and Registrar System, for registration and execution of orders of the Central Securities Depository's clients within the framework of registrar activities.

In 2019, the Central Securities Depository was reorganized by incorporation of the Integrated Securities Registrar to form a single organization, which required fundamental changes in the Code of Rules. New version of the Code of Rules reflects analysis results on possibility and feasibility of various combinations of single organization's functions to obtain a synergistic effect and increase level of service comfort for the Central Securities Depository's clients, namely:

- procedure for contracts conclusion with clients has been changed: one contract is concluded under which a client has the right to use the Central Securities Depository's services for various types of its activities;
- procedure has been simplified for transferring instruments issued in accordance with the legislation of the Republic of Kazakhstan between sub-accounts opened as part of depository activities and personal accounts opened in the system of security holders registers.

Since 2019, the Central Securities Depository has been providing services for maintaining registers system, including registration of transactions and confirmation of rights to securities and shares in authorized capitals for joint-stock companies, limited liability partnerships, security holders and participants of limited liability partnerships serviced in the registers system.

Since 2019, all securities issued in accordance with the legislation of the Republic of Kazakhstan have been identified by international identification number ISIN in accordance with the international standard ISO 6166. In this regard, at the end of 2018, the Central Securities Depository assigned ISIN, CFI and FISN codes to all outstanding government and non-government securities of Kazakhstan issuers.

To interact with the Central Securities Depository and its clients more effectively, Doc.KACD, Issuer and Holder user accounts were put into operation in 2019. Doc.KACD user account, having reduced time costs, allowed the Central Securities Depository's clients to exchange electronic documents (including orders, statements, requests and other information) with the Central Securities Depository. At the same time, issuers of financial instruments may receive security holders registers, reports, extracts, certificates and other information services, as well as service of a paying agent, through the Issuer's user account. In the Holder's user account, clients of the Central Securities Depository are provided with opportunity to submit and receive orders and reporting documents in electronic form.

Since 2019, according to the Law of the Republic of Kazakhstan "On Joint-Stock Companies", the Central Securities Depository has started recording activities of an unclaimed money received from issuer or majority shareholder.

In addition, in 2019, the Central Securities Depository made improvements in its information systems due to launch of ASTS+ trading and clearing system and introduction of CCP services on the stock market. In 2019, over-the-counter quotation system was put into operation, which is an online service for submitting and viewing offers for purchase/sale of financial instruments by clients.

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In 2018 and 2019, the Central Securities Depository continued its work on improving the risk management system, including in accordance with the Principles for Financial Market Infrastructures developed by the Committee on Payment and Settlement Systems and International Organization of Securities Commissions. The Central Securities Depository is an infrastructural entity and, in accordance with the resolution of Management Board of the National Bank of the Republic of Kazakhstan No. 240 dated December 23, 2019, refers to systemically significant infrastructure financial organizations. In this regard, the Central Securities Depository attaches great importance to issues of ensuring its financial stability and business continuity. In the reporting years, the Central Securities Depository continued to improve procedures for monitoring and controlling financial stability indicators, plans and procedures for ensuring business continuity in accordance with international practice. To assess effectiveness of business continuity plans and procedures, the Central Securities Depository conducts regular testing aimed at determining possibility of timely and appropriate response to various incidents, including using a backup center. Results of the tests conducted in 2018-2019 indicate reliability and efficiency of procedures for ensuring the Central Securities Depository's business continuity.

As an additional risk management measure, the Central Securities Depository has been insuring risks and property annually since 2013. In both 2018 and 2019, the Central Securities Depository insured its risks (professional liability) in the amount of KZT 500 million and property in the amount of KZT 193 million. Professional liability insurance policy covers the risks associated with illegal actions, computer crimes and failures, staff errors, as well as other risks. Property insurance policy covers the risks associated with damage, total loss and loss of property as a result of fire, lightning strike, explosion, falling of foreign objects, illegal actions of third parties and other natural disasters of a man-made and natural nature. No insured events occurred during the specified period.

As part of the client identification program and program for monitoring and analyzing client transactions, the Central Securities Depository continues to perform due diligence of its clients (their representatives) and their beneficial owners, and conducts appropriate monitoring of client transactions for compliance with the requirements of Law of the Republic of Kazakhstan "On Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism" No. 191-IV ZRK dated August 28, 2009 and FATF Recommendations (Financial Action Task Force on Money Laundering).

In 2020, the Central Securities Depository developed Nominee module of the User Account system that makes it possible for the Central Securities Depository's clients to generate orders and requests, receive reports, documents and other information in electronic format.

At the same time, in 2020, the Central Securities Depository developed and introduced a service for sending information messages to financial instrument holders to e-mail addresses indicated by them, by means of which clients may receive the following information messages to their user accounts at the Central Securities Depository portal in a timely manner:

- 1) Notice of over-the-counter quotation system requests for purchase of instruments;
- 2) Notice of over-the-counter quotation system requests for sale of instruments;
- 3) Notice of inclusion in the list for general meeting of shareholders;
- 4) Notice of inclusion in the list for interests payment on instruments.

In view of the COVID-19 pandemic in 2020, the Central Securities Depository took necessary measures to ensure its business continuity and perform functions in full under the state of emergency and further under quarantine. In accordance with the requirements of authorized bodies, certain employees were transferred to remote work, while most of the services were transferred to electronic format, measures were taken to protect health of the Central Securities Depository's employees who continued to work in its offices.

III. FMI BACKGROUND

General Information about the FMI and the Markets it Serves

Types of Central Securities Depository's Activities and Customers

In accordance with the legislation of the Republic of Kazakhstan, the Central Securities Depository performs the following activities:

1) depository activity:

provision of depositors with services of nominal holding of financial instruments;

settlement of transactions with financial instruments, concluded in the organized securities market and transactions concluded in the unorganized securities market with the participation of its depositors (between the depositors themselves; between a depositor, on the one hand, and a customer of another depositor, on the other hand; between customers of two different depositors), as well as other customers;

depository service for state-issued securities in accordance with the legislation of the Republic of Kazakhstan and the Code of Rules;

provision of consulting and information services on issues related to activities in the securities market, as well as other types of services that do not contradict the legislation of the Republic of Kazakhstan;

clearing activities on transactions with financial instruments or providing services to clearing organizations and/or central banks of an organized and/or unorganized securities market on the terms and in accordance with the procedure established by the regulatory legal act of the authorized body and the Code of Rules;

2) maintaining a system of registers of securities holders and participants in limited liability partnerships:

establishment, maintenance, storage and closure of the system of registers;

opening a personal account in the system of registers for a registered person;

registration of transactions with financial instruments on the personal account of a registered person;

confirmation of rights on financial instruments of a registered person;

keeping the system of registers up to date;

monitoring the compliance of a number of securities in circulation in the secondary securities market with the number registered by the authorized body;

informing the securities holders on the list of issues defined by the Code of Rules;

provision of the issuer and the limited liability partnership with information constituting the system of registers at its request;

provision of information to the government agencies that have the right, in accordance with the legislative acts of the Republic of Kazakhstan, to obtain information constituting the system of registers of securities holders and participants in limited liability partnerships;

other functions in accordance with the legislative acts of the Republic of Kazakhstan;

3) implementation of certain types of banking transactions:

functions of a centralized organization that performs settlements between the Central Securities Depository's customers;

performing the functions of a payment agent for the payment of income on financial instruments and their repayment;

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- opening of bank accounts for a customer to transfer money on transactions with equity securities and other financial instruments, as well as to receive money when paying income and repayment of financial instruments;
- 4) maintaining the system of registers of holders of government securities;
 - 5) assignment of international identifiers (ISIN, CFI and FISN) to securities and other financial instruments;
 - 6) development and maintenance of the system of registers of derivative transactions concluded in organized and unorganized securities markets;
 - 7) assignment of identifiers to rights of claim;
 - 8) activities related to the trading in securities and other financial instruments:
 - provision of its customers with access to the integrated information system of the OTC market;
 - exchange of quotations of securities and other financial instruments between the Central Securities Depository's customers to conclude transactions with securities and other financial instruments in the unorganized securities market;
 - exchange of messages on the conclusion of transactions with securities and other financial instruments between the Central Securities Depository's customers;
 - other functions provided for by the Law of the Republic of Kazakhstan "On the Securities Market";
 - 9) acceptance of unclaimed money.

Depository Activities

As of January 01, 2021, 53 personal accounts have been opened in the Central Securities Depository.

Number of subaccounts opened in participants' personal accounts in the Central Securities Depository in 2020 increased by 15,434 compared to the same figure last year and amounted to 136,573 subaccounts, 53 of which have been opened in the names of Central Securities Depository's participants, and 136,520 – in the names of participants' clients, including 134,379 subaccounts that have been opened on behalf of individuals, 135,464 sub-accounts – for residents, 1,046 sub-accounts – for non-residents and 10 sub-accounts that have unknown residency indicator. Total volume of financial instruments in nominee holding amounted to KZT 85.89 trillion as of January 01, 2021, which is KZT 18.96 trillion (28.33%) more than the same figure for the last year.

As of January 01, 2021, volume of government securities in nominee holding amounted to KZT 14.28 trillion or 16.63% of total volume of financial instruments in nominee holding, which is 0.12% less than the same figure for the last year. As of January 01, 2021, volume of non-government securities (excluding government's stake) in nominee holding amounted to KZT 11.78 trillion or 13.72% of total volume of financial instruments in nominee holding, which is 1.64% lower than last year.

As of January 01, 2021, the Central Securities Depository had nominee accounts in the following recordkeeping organizations:

- Clearstream Banking, A.G., Frankfurt;
- Euroclear Bank S.A./N.V.;
- Central Depository CJSC (Kyrgyz Republic)
- Non-Bank Credit Institution National Settlement Depository Joint-Stock Company (Russian Federation);
- Republican Central Securities Depository, Republican Unitary Enterprise (Republic of Belarus);
- Astana International Exchange Central Securities Depository Limited

As of January 01, 2021, financial instruments in the amount of KZT 1.83 trillion were registered for nominee accounts opened in the name of the Central Securities Depository in recordkeeping organizations.

Paying Agent Functions

When performing functions of a paying agent to pay income from financial instruments, the Central Securities Depository paid stock dividends totaling KZT 37.46 billion and interest on bonds totaling KZT 1.51 billion in 2020.

Upon payment of income from financial instruments issued in accordance with the legislation of states other than the Republic of Kazakhstan, and redemption of financial instruments, the Central Securities Depository transferred funds to financial instrument holders in 2020 as follows:

- upon payment of interest in the amount of USD 75.20 million, EUR 1.22 million, RUB 316.12 million, CHF 5,457.00, KZT 36.80 billion;
- upon payment of dividends in the amount of USD 8.65 million, RUB 17.40 million, CAD 1,296.00;
- upon redemption of financial instruments in the amount of USD 0.83 billion, KZT 1.82 billion, RUB 0.37 billion.

Upon payment of interests and redemption by issuers of government securities, the Central Securities Depository transferred the received income totaling KZT 16.11 trillion in 2020, which is 50.73% less than in 2019.

Activities to Maintain the System of Security Holders Registers

As of January 01, 2021, 1,071 contracts for maintaining a system of security holders registers with issuers of securities were concluded in the Central Securities Depository's registers system, including 77 contracts that were concluded with bond issuers as LLPs and 994 contracts - with issuers as joint-stock companies. 59 new contracts were concluded, while contracts with 24 issuers for maintaining the system of security holders registers were terminated during the reporting period.

As of January 01, 2021, 1,858 registers of non-government issued security holders (ISIN) were registered in registers system, which is one less than the figure for January 01, 2020. 116 registers (ISIN) were accepted for service in 2020, which is 58 less than the same figure for 2019.

32 security redemption transactions, which is equal to number of transactions registered in the previous year, and 53 security cancellation transactions, which is 11 transactions less than in 2019, were registered in 2020.

In addition, as of January 01, 2021, 896 contracts for maintaining the participants register, including 893 contracts with LLPs, two contracts with limited partnerships and one contract with full partnership were concluded in a system of security holders registers of the Central Securities Depository. In the reporting period, 51 contracts were concluded, and 40 contracts for maintaining the register of participants with LLPs were terminated. As of January 01, 2021, number of personal accounts of security holders in the registers system decreased by 2,281 compared to the same period last year and amounted to 1,400,061.

At the same time, as of January 01, 2021, number of personal accounts of partnership participants in the registers system increased by 5,760 compared to last year and amounted to 383,510.

In 2020, 13,209 transactions in securities totaling KZT 7,038.31 billion were registered in the system of security holders registers of the Central Securities Depository, which is more than the same figure for the last year by 531 transactions (4.19%) and KZT 3,563.76 billion (24.20%), respectively. Compared to 2021, in the reporting year, number of securities within securities transactions has fallen to 3,908.81 billion units (31.78%) and amounted to 1,820.73 billion units.

In 2020, number of transactions with business partnership interests decreased by 34.14% and amounted to 2,629. Volume of transactions with business partnership interests in the reporting period declined by 48.49% and amounted to KZT 37.92 billion. Compared to 2019, number and volume of transactions decreased by 1,363 units and KZT 35.7 billion, respectively. Compared to last year, the Central Securities Depository conducted 3,757 fewer information operations, which amounted to 22,094 information operations in 2020.

During the reporting year, the Central Securities Depository received 5,372 requests for information from the registers system, including 49 - from state bodies, 16 - from liquidators and bankruptcy managers, 2,585 - from private bailiffs, 2,028 - from notaries, 62 - from lawyers, 321 - from the National Bank and 311 requests were submitted by courts. Compared to 2019, number of requests for information from the registers system increased by 625 in 2020.

In 2020, the Central Securities Depository registered 52,142 orders and instructions for operations in registers system, which is less than the same figure in 2019 by 10,502 orders and instructions. In addition, this year the Central Securities Depository has provided responses to 15,949 written requests from registered persons/entities, which is 12,153 more requests compared to last year.

Execution of Certain Types of Banking Operations

As of January 01, 2021, 64 current accounts were opened in the Central Securities Depository, including 27 current accounts intended for participants' own cash management; five current accounts for participants with which current account agreements have been terminated, but their accounts have available funds; 27 current accounts intended for participants' clients cash management, and there are also five current accounts for participants with which current account agreements have been terminated, but their accounts have available funds. In addition, 53 correspondent accounts were opened, including 27 correspondent accounts intended for participants' own cash management, and 26 correspondent accounts intended for participants' and KASE's clients cash management.

As of January 01, 2021, the bank account balance in national currency amounted to KZT 7.67 billion, including KZT 0.32 billion in participants' bank accounts and KZT 7.35 billion in the client bank accounts of participants and KASE.

As of January 01, 2021, balance on the client bank accounts in foreign currency amounted to:

- in USD: 52.77 million, including 6.15 million in own bank accounts and 46.62 million in client bank accounts;
- in EUR: 0.91 million in client bank accounts;
- in GBP: 0.51 million, including 0.01 million in own bank accounts and 0.50 million in client bank accounts;
- in RUB: 116.26 million, including 88.35 million in own bank accounts and 27.91 million in client bank accounts;
- in CHF: 232.47 in client bank accounts;
- in CAD: 1,296 in client bank accounts.

In 2020, the Central Securities Depository conducted 357,500 money transfers totaling KZT 337.98 trillion, including:

- 195,669 money transfers in national currency for current client positions opened in ISMT, totaling KZT 315.16 trillion;
- 136,678 money transfers in national currency to clients' bank accounts in the Central Securities Depository for a total amount of KZT 19.62 trillion;
- 25,153 money transfers in foreign currency to bank accounts opened in the Central Securities Depository, totaling KZT 3.20 trillion.

During the reporting period, the Central Securities Depository, when registering transactions in financial instruments concluded at primary and secondary markets, made 214,702 money transfers in national currency in the amount of KZT 274.18 trillion, which is KZT 82.42 trillion less than the same figure in 2019 (-23.11%). In addition, in 2020, the Central Securities Depository conducted 1,635 money transfers when registering transactions in foreign currency, including 1,410 money transfers when registering transactions in financial instruments in USD in the amount of USD 1.95 billion, which is less than the same figure in 2019 by USD 3.65 billion (-65.20%), 45 money transfers when registering transactions in financial instruments in EUR in the amount of EUR 0.17 billion, which is EUR 0.29 billion less than the same figure in 2019 (-62.54%). In 2020, four money transfers were made when registering transactions in financial instruments in GBP in the amount of GBP 5.28 million, which is more than the same figure in 2019 by GBP 5.05 million (2,260.11%). Such significant increase in GBP transfers is due to lodging of foreign securities issued in British pounds sterling into nominee holding by the Central Securities Depository. In 2020, 176 money transfers were conducted when registering transactions in financial instruments in Russian rubles in the amount of RUB 1.82 billion, which is more than the same figure in 2019 by RUB 0.18 billion (10.82%).

The same year, the Central Securities Depository made 1,778 money transfers in national currency with interest for financial instruments totaling KZT 597.40 billion, which is KZT 125.91 billion (26.71%) more than the last year's figure. In addition, in 2020, the Central Securities Depository made 2,197 money transfers when paying interest for financial instruments in foreign currency, including 2,155 money transfers totaling USD 75.20 million, which is USD 29.60 million (-28.25%) less than last year; 20 money transfers totaling RUB 0.32 billion, which is RUB 0.18 billion (-36.62%) less than last year, and two money transfers totaling CHF 5,457.00, 20 money transfers totaling EUR 1.22 million, which is EUR 0.66 million (118.55%) more than in 2019. Significant increase in EUR transfers is due to lodging of foreign securities issued in euros into nominee holding by the Central Securities Depository.

In 2020, the Central Securities Depository made 59,991 money transfers upon payment of dividends in national currency totaling KZT 37.46 billion, which is KZT 1.83 billion (5.15%) more than the same figure in 2019. In addition, in 2020, the Central Securities Depository made 16,299 money transfers when paying dividends for financial instruments in foreign currency, including 10,916 money transfers totaling USD 8.65 million, which is USD 1.58 million (22.41%) more than in 2019; 5,379 money transfers totaling RUB 17.40 million, which is RUB 3.45 million (-16.55%) less than in 2019 and four money transfers in the amount of CAD 1,296.

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Upon redemption of financial instruments, the Central Securities Depository made 1,661 money transfers in national currency totaling KZT 15.55 trillion in 2020, which is KZT 16.69 trillion (-51.76%) less than in 2019. In foreign currency, when redeeming financial instruments in 2020, the Central Securities Depository made 155 money transfers, including 146 transfers in USD in the amount of USD 0.83 billion, which is USD 0.70 billion (525.26%) more than in 2019; nine transfers in RUB in the amount of RUB 0.37 million, which by RUB 0.31 billion (457.82%) more than in 2019. Such significant increase in transfers in USD by 525.26% and in RUB by 457.82% is due to lodging of foreign securities issued in US dollars and Russian rubles, respectively, into nominee holding of the Central Securities Depository. As of January 01, 2021, account balances for unclaimed money reached KZT 11.04 billion and USD 14,200.08. In 2020, issuers transferred KZT 3.84 billion to the Central Securities Depository, while majority shareholders transferred KZT 3.81 billion and USD 14,200.08. In turn, the Central Securities Depository made 879 unclaimed money transfers in KZT to identified beneficiaries: 878 transfers in the amount of KZT 0.55 billion and one transfer in the amount of USD 0.85 million.

Activities to Form and Maintain the Derivative Transaction Register System

From January 01 to December 31, 2020, 8,307 electronic messages of reporting agents were received through the Reporting Agent's personal account, which is less than the same figure for 2019 by 618 messages, including:

- 1,551 messages (1,483 more than in 2019) were rejected due to unacceptable format, technical errors made by reporting agents, or another error;
- 6,756 messages (2,101 fewer than in 2019) were processed.

Assigning Identifiers to Securities and Other Financial Instruments

From January 01 to December 31, 2020, the Central Securities Depository assigned 361 ISIN codes, which is 262 codes less than the same figure in 2019, as well as 361 CFI codes and 361 FISN codes, and canceled 231 ISIN codes, which is 42 codes less than in 2019. As of January 01, 2021, total number of valid ISIN codes assigned to financial instruments issued in accordance with the legislation of the Republic of Kazakhstan amounted to 3,228, which is 489 codes more than in 2019 (full list of ISIN codes assigned by Central Securities Depository as of the 01th of a month, posted monthly on the official website of the Central Securities Depository). From January 01 to December 31, 2020, the Central Securities Depository assigned one identifier that is more than the same figure of previous year, during which one identifier was assigned.

General FMI Organization

The Central Securities Depository is a subsidiary of the National Bank.

Structure of the Central Securities Depository's shareholders as of October 01, 2021:

No.	Shareholder	Share in total number of outstanding shares, %
1.	National Bank	63.83
2.	KASE	29.55
3.	Second-tier banks	5.03
4.	Brokerage companies	1.57

Bodies of the Central Securities Depository are the General Meeting of Shareholders, Board of Directors and the Management Board.

Board of Directors is elected by General Meeting of Shareholders of the Central Securities Depository and consists of seven people. Board of Directors includes independent directors, representative of the state body regulating the securities market.

Management Board consists of four people: Chairman of the Management Board and Deputy Chairmen of the Management Board.

Legislative and Regulatory Framework

The Central Securities Depository is a specialized non-profit organization, the only one in territory of the Republic of Kazakhstan that conducts depository activities and activities for maintaining a system of security holders registers. Activities of the Central Securities Depository are regulated, controlled and supervised by authorized body.

Depository activities, activities to maintain the system of security holders registers, organization of trading with securities and other financial instruments, clearing activities for transactions with financial instruments, are performed by the Central Securities Depository in accordance with legislation of the Republic of Kazakhstan without a license of authorized body.

The following types of banking operations are conducted on the basis of authorized body's license:

- 1) opening and maintaining bank accounts of legal entities;
- 2) opening and maintaining correspondent accounts of banks and organizations engaged in certain types of banking operations;
- 3) transfer operations: execution of payment and transfer orders of legal entities.

The Central Securities Depository's activities are regulated in accordance with the laws of the Republic of Kazakhstan "On Banks and Banking Activities in the Republic of Kazakhstan", "On the Securities Market", "On Joint-Stock Companies" and other laws.

Basic terms and procedure for the Central Securities Depository's activities are regulated by the following, but not limited to, delegated legislation of the Republic of Kazakhstan and internal documents of the Central Securities Depository, which are mandatory for the Central Securities Depository's clients:

- 1) Resolution of the Management Board of the National Bank No. 307 "On Approval of the Rules for Activities of the Central Securities Depository" dated November 29, 2018;
- 2) Resolution of the Management Board of the National Bank No. 210 "On Approval of the Rules for Registration of Issue-Grade Security Transactions in the Recordkeeping System for Securities Nominee Holding, Provision of Extract by Nominee from Securities Holder's Personal Account in the Recordkeeping System for Securities Nominee Holding and Information Disclosure by Nominee" dated October 22, 2014;
- 3) Resolution of the Management Board of the National Bank No. 318 "On Approval of Requirements for Risk Management System in the Central Securities Depository" dated December 28, 2018;
- 4) Resolution of the Management Board of National Bank of the Republic of Kazakhstan No. 249 "On Approval of the Rules for Activities to Maintain the Securities Holders Registers System" dated October 29, 2018;
- 5) Code of Rules.

In accordance with requirements of para. 8 of the Rules for Activities of the Central Securities Depository, approved with resolution of the Management Board of the National Bank No. 307 dated November 29, 2018, organizational structure of the Central Securities Depository includes separate units that perform:

- 1) depository activities;
- 2) money transfers when registering transactions in financial instruments, paying income from financial instruments and upon their redemption, as well as opening and maintaining current accounts for recording and storing funds of participants and their clients;
- 3) maintaining the system of security holders registers and limited liability partnership participants register;
- 4) clearing activities for transactions in financial instruments;
- 5) risk management;
- 6) internal audit.

In addition, Investment Committee functions in the Central Securities Depository to take investment decisions on transactions in financial instruments at the expense of its own assets.

The Central Securities Depository together with KASE is a founder of RTRS LLP. Share of the Central Securities Depository in authorized capital of RTRS LLP is 50%. RTRS LLP is an organization that provides technical support for the Central Securities Depository's activities (backup technical center).

The Central Securities Depository submits weekly, quarterly and monthly reports on its activities to authorized body in accordance with the resolution of the Management Board of the National Bank No. 263 "On Approval of the List, Forms, Terms for Reporting of the Central Securities Depository and Rules for Their Submission" dated October 29, 2018. In addition, other types of reports to authorized body are provided, including financial statements, risk management system reports and others.

System Structure and Functions

The Central Securities Depository uses the following types of settlements:

OTC market:

DVP (model-1), settlement cycle T+0, T+n;

FOP settlement cycle T+0, T+n.

Regulated market:

on a net basis for transactions in financial instruments with CCP participation

DVP (model-2), settlement cycle T+2;

on a gross basis for transactions in financial instruments without CCP participation

DVP (model-1), settlement cycle T+0.

Transaction or other operation in financial instruments issued in accordance with legislation of states other than the Republic of Kazakhstan is registered for account of the Central Securities Depository in recordkeeping organization in accordance with the rules of recordkeeping organization.

Registration of transactions in financial instruments provides for the transfer of financial instruments and/or money in cases provided for by the Code of Rules.

Procedure for money transfers when registering transactions in financial instruments is established by the Rules for Execution of Banking Operations.

The Central Securities Depository registers transactions in financial instruments concluded on regulated or OTC market.

If execution of an order (counter orders) accepted by the Central Securities Depository for registration of transaction (operation) in financial instruments is not related to the need to transfer money according to the Code of Rules, the Central Securities Depository executes this order (these orders) by transferring financial instruments from sender's subaccount section to recipient's subaccount section that correspond to the nature of this transaction (operation).

If execution of an order (counter orders) accepted by the Central Securities Depository for registration of transaction (operation) in financial instruments is associated with the need to transfer money according to the Code of Rules, the Central Securities Depository:

- 1) transfers financial instruments from sender's subaccount section, which corresponds to the type of this transaction (operation), to Settlements section of the same subaccount;
- 2) transfers money in accordance with procedure established by the Rules for Execution of Banking Operations.

The Central Securities Depository registers instruments sale and purchase transactions related to money transfer only for subaccounts opened on participants' personal accounts.

The Central Securities Depository sends a report on order execution or non-execution for registration of transaction (operation) in financial instruments concluded (settled) on regulated market to the trading authority.

The Central Securities Depository sends a report on registered transactions (operations) in financial instruments to participants which subaccounts are indicated in the executed order for registration of transaction (operation) in financial instruments concluded (settled) on regulated market.

The Central Securities Depository sends a report on order (counter orders) execution or non-execution for registration of transaction (operation) in financial instruments concluded (settled) on OTC market to the participant (participant's client) which subaccount is specified in this order, and participants (clients of participants) which subaccounts are specified in these orders.

IV. SUMMARY OF THE DISCLOSURE ON PRINCIPLES

Principle	Compliance	Description
Principle 1. Legal basis An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions		
Key consideration 1. The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions	Complied	Legal basis of the Central Securities Depository covers the full range of the Central Securities Depository's services, including: <ol style="list-style-type: none"> 1) nominee holding services to other nominees and participants of the securities market that have the right to open personal accounts in the Central Securities Depository; 2) financial instruments settlements for transactions concluded on regulated and OTC securities markets; 3) depository services for government-issued securities; 4) functions of a centralized organization that performs settlements between brokers and dealers; 5) functions of a paying agent for payment of income from financial instruments and upon their redemption; 6) opening of bank accounts; 7) clearing activities; 8) activities to maintain the system of security holders registers and limited liability partnership participants registers; 9) maintaining a system of government security holders registers; 10) maintaining a system of derivative transactions registers; 11) activities for unclaimed money recording; 12) provision of consulting, information and other types of services that do not contradict the legislation of the Republic of Kazakhstan. Legislation of the Republic of Kazakhstan prohibits the Central Securities Depository from conducting a business that is not related to activities in the financial market.

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Principle	Compliance	Description
<p>Key consideration 2. An FMI should have rules, procedures, and contracts that are clear, understandable and consistent with relevant laws and regulations</p>	Complied	Rules and procedures of the Central Securities Depository for its clients are established by the Code of Rules, compliance with which is mandatory for all entities using the Central Securities Depository's services. The Code of Rules is approved by the Board of Directors. Documents of the Code of Rules, standard forms of orders and statements are publicly available and posted on website of the Central Securities Depository.
<p>Key consideration 3. An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way</p>	Complied	Legal basis for activities of the Central Securities Depository is determined by the laws and delegated legislation of the Republic of Kazakhstan. When developing and approving the Code of Rules and (or) its amendments and additions, appropriate work is performed to minimize legal and compliance risks for the Central Securities Depository's activities and bring the Code of Rules into compliance with the legislation of the Republic of Kazakhstan.
<p>Key consideration 4. An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays</p>	Complied	<p>According to the Law of the Republic of Kazakhstan "On the Securities Market", terms and procedure for activities of the Central Securities Depository on the securities market are established by this law, regulatory legal acts of authorized body and internal documents - Code of Rules. At the same time, the Code of Rules defines relations of the Central Securities Depository with the securities market entities. Compliance with the Code of Rules is mandatory for all entities using the Central Securities Depository's services.</p> <p>In addition to contracts in the Republic of Kazakhstan, the Central Securities Depository has contractual relations within the jurisdiction of the Russian Federation, Republic of Armenia, Kyrgyz Republic, Republic of Belarus, and the European Union.</p>
<p>Key consideration 5. An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions</p>	Complied	Legal basis for activities of the Central Securities Depository is determined by the laws and delegated legislation of the Republic of Kazakhstan. When developing and approving the Code of Rules and (or) its amendments and additions, appropriate work is performed to minimize legal risks for the Central Securities Depository's activities and bring the Code of Rules into compliance with the legislation of the Republic of Kazakhstan.

Principle	Compliance	Description
<p>Principle 2. Governance An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders</p>		
<p>Key consideration 1. An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations</p>	<p>Complied</p>	<p>As a main development goal for 2022-2024, the Central Securities Depository has identified a formation of Central Securities Depository-based flexible ecosystem in the stock market, serving a wide range of outstanding financial assets and providing investors and other market participants with a wide range of services related to transactions with them, including, but not limited to, the following services:</p> <ol style="list-style-type: none"> 1) recording and storage of securities and other financial instruments; 2) settlements of stock market and over-the-counter transactions in securities and other financial instruments; 3) organization of securities and other financial instruments trading on over-the-counter securities market; 4) provision of services for processing corporate actions and disclosure of information about corporate events to investors; 5) launch of the securities loans operations platform; 6) provision of services for identification and due diligence of clients - professional securities market participants within the framework of anti-money laundering and terrorist financing procedures. <p>Directions of business strategy development contain strategic initiatives to develop the Central Securities Depository's activities as an infrastructure organization of the financial market, aimed at developing infrastructure of the Kazakhstan stock market and increasing share of foreign and local investors in the domestic market.</p> <p>These development directions are divided into six strategic and four operational areas of activity intended to expand and improve quality of the service provided, simplify investors' access to the securities market, increase their awareness, provide additional services to foreign investors, as well as ensure development of the over-the-counter securities market of the Republic of Kazakhstan: depository activities, activities to maintain a system of security and other financial instrument holders registers, certain types of banking operations, organization of trading on over-the-counter securities market, corporate action hub, development of services ecosystem, digitalization of the Central Securities Depository's activities, principles of financing the Central Securities Depository's activities and tariff policy, improvement of the corporate governance</p>

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Principle	Compliance	Description
		<p>system and control environment, development of human resources.</p> <p>To ensure financial stability, the Central Securities Depository takes measures to maintain an adequate amount of equity and necessary volume of liquid assets, risk management measures (including risk insurance), and also implements other measures aimed at ensuring its financial stability.</p>
<p>Key consideration 2. An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public</p>	Complied	<p>Management structure of the Central Securities Depository is defined by the Laws of the Republic of Kazakhstan "On Joint-Stock Companies", "On the Securities Market", other regulatory legal acts, charter and internal documents of the Central Securities Depository. These documents define in detail functions and powers of the General Meeting of Shareholders, Board of Directors and its committees, Management Board and Internal Audit Service of the Central Securities Depository. Requirements for officials of the Central Securities Depository are defined as well.</p> <p>Information about management structure of the Central Securities Depository is publicly available.</p>
<p>Key consideration 3. The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly</p>	Complied	<p>Functions and powers of the Board of Directors are defined by the Laws of the Republic of Kazakhstan "On Joint-Stock Companies", "On the Securities Market", other regulatory legal acts, charter and internal documents of the Central Securities Depository.</p> <p>The Central Securities Depository has established procedures for managing existing and potential conflicts of interest, within which the process for identifying, reviewing and resolving conflicts of interests among participants has been established; necessary requirements for compliance with the work of collegial bodies, officials and employees of the Central Securities Depository have been determined as well.</p>
<p>Key consideration 4. The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s)</p>	Complied	<p>Shareholders ensure that requirements for skills and motivation of members of the Board of Directors are met by electing members with significant experience in banking, financial and scientific fields, high level of professional and personal reputation.</p> <p>Procedure for electing members of the Board of Directors is provided for in the Regulation on the Board of Directors.</p> <p>Information about each member of the Board of Directors is posted on the Central Securities Depository's website.</p> <p>Incentive system for members of the Board of Directors – independent directors encourages to take an active part in its meetings and meetings of its committees. Annual</p>

Principle	Compliance	Description
<p>Key consideration 5. The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI</p>	Complied	<p>remuneration of members of the Board of Directors is provided in accordance with the Rules of Remuneration for Members of the Board of Directors – Independent Directors and Payment of Their Expenses.</p> <p>Requirements for executive body members are defined by the laws of the Republic of Kazakhstan "On Joint-Stock Companies", "On the Securities Market", other regulatory legal acts, charter and internal documents of the Central Securities Depository. Heads of the Central Securities Depository have relevant experience, diverse skills and professional integrity necessary for performance of their duties in order to manage activities of the Central Securities Depository. At the same time, heads of the Central Securities Depository have higher education, work experience in financial organizations, and (or) in the field of regulation of financial services and (or) audit services of financial organizations, and an excellent business reputation.</p>
<p>Key consideration 6. The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board</p>	Complied	<p>The Board of Directors is responsible for establishing general risk management principles and supervises their implementation. The Risk Management Policy is approved by the Board of Directors. The Board of Directors also reviews regularly reports containing an analysis of relevant risks.</p> <p>Compliance control unit has an official status, corresponding position, authority and independence. Accountability, status, powers and independence are regulated by internal regulations of the Central Securities Depository. Independence, in practice, is ensured by accountability of Chief Compliance Controller to the Board of Directors. The Compliance Control Service has access to any information necessary for implementation of compliance risk management functions within the scope of its powers, as well as sufficient resources to perform the tasks assigned to this unit.</p>
<p>Key consideration 7. The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public</p>	Complied	<p>Information on decisions of the Central Securities Depository affecting its shareholders and interested parties is brought to their attention by posting financial statements on websites of the Central Securities Depository and the Depository of Financial Statements, and sending letters and other available means.</p> <p>The following (but not limited to) measures have been taken to meet the interests of participants and other interested parties of the Central Securities Depository:</p> <ol style="list-style-type: none"> 1) The Board of Directors consists of independent directors; 2) It is possible to receive proposals from securities market participants that are members of the Association of Financiers of Kazakhstan ALE;

Principle	Compliance	Description
		<p>3) It is possible to receive proposals from the Advisory Council members who are the securities market participants.</p>
<p>Principle 3. Framework for the comprehensive management of risks An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks</p>		
<p>Key consideration 1. An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review</p>	<p>Complied</p>	<p>The Central Securities Depository has developed and implemented risk management policies and rules that cover all types of risks inherent in activities of the Central Securities Depository (operational, credit, market, legal, reputational, as well as liquidity risk). These documents define approaches of the Central Securities Depository to assessment, control and monitoring of risks. Annually, the Central Securities Depository evaluates compliance of the risk management system with requirements of authorized body. Efficiency of risk management system is assessed regularly within the framework of internal audit. Internal documents on risk management issues are reviewed by the Central Securities Depository as necessary, including when identifying deficiencies in the risk management system, introducing new services and changes in activities of the Central Securities Depository, as well as in other cases</p> <p>Risks created for the Central Securities Depository by participants are limited by the fact that participants (residents of the Republic of Kazakhstan) are subject to supervision and regulation by authorized body. At the same time, authorized body has established prudential standards for these organizations, requirements for risk management and internal control systems, as well as other mandatory requirements.</p>
<p>Key consideration 2. An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI</p>	<p>Complied</p>	<p>Within the framework of stimulating participants and their clients to manage and reduce risks, the Central Securities Depository has taken the following measures, but not limited to:</p> <ol style="list-style-type: none"> 1) information systems have been introduced and are functioning, which allows participants to have information about status of accounts, progress and results of transactions (operations) and other data that allows them to control risks; 2) agreements concluded between the Central Securities Depository and participants provide for the responsibility of participants to the Central Securities Depository, including in case of non-fulfillment of established obligations; 3) the Central Securities Depository's website contains information on the Central Securities Depository's risk management system, including information on measures taken to ensure business continuity.

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<p>Key consideration 3. An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks</p>	Complied	<p>The Central Securities Depository has taken the following measures in order to minimize the risks created by the Central Securities Depository, as well as those experienced from other FMIs:</p> <ol style="list-style-type: none"> 1) an adequate risk management and financial stability system has been built; 2) criteria for the selection of servicing banks and depositories have been established; 3) risks (professional liability) of the Central Securities Depository are insured annually; 4) a business continuity management system has been introduced, the efficiency of which is checked during regular testing. <p>To ensure business continuity, the Central Securities Depository has developed and approved the Business Continuity Management Policy, business continuity and incident management plans, which regulate procedure for actions and restoration of the Central Securities Depository's activities in case of unforeseen events Business continuity procedures are tested annually.</p>
<p>Key consideration 4. An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning</p>	Complied	<p>To ensure business continuity, the Central Securities Depository has developed and approved business continuity and incident management plans, which identify scenarios that could potentially complicate activities of the Central Securities Depository, and also conducts testing of business continuity procedures to assess their efficiency.</p>

Principle	Compliance	Description
<p>Principle 4. Credit risk An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.</p>		
<p>Key consideration 1. An FMI should establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing, and settlement processes. Credit exposure may arise from current exposures, potential future exposures, or both</p>	Not applicable	Provisions of this principle are not applicable to the Central Securities Depository since the Central Securities Depository does not perform functions of CCP.
<p>Key consideration 2. An FMI should identify sources of credit risk, routinely measure and monitor credit exposures, and use appropriate risk-management tools to control these risks</p>	Not applicable	

Principle	Compliance	Description
<p>Key consideration 3. A payment system or SSS should cover its current and, where they exist, potential future exposures to each participant fully with a high degree of confidence using collateral and other equivalent financial resources (see Principle 5 on collateral). In the case of a DNS payment system or DNS SSS in which there is no settlement guarantee but where its participants face credit exposures arising from its payment, clearing, and settlement processes, such an FMI should maintain, at a minimum, sufficient resources to cover the exposures of the two participants and their affiliates that would create the largest aggregate credit exposure in the system</p>	Not applicable	
<p>Key consideration 4. A CCP should cover its current and potential future exposures to each participant fully with a high degree of confidence using margin and other prefunded financial resources (see Principle 5 on collateral and Principle 6 on margin). In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. All other CCPs should maintain</p>	Not applicable	

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<p>additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. In all cases, a CCP should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount of total financial resources it maintains.</p> <p>Key consideration 5. A CCP should determine the amount and regularly test the sufficiency of its total financial resources available in the event of a default or multiple defaults in extreme but plausible market conditions through rigorous stress testing. A CCP should have clear procedures to report the results of its stress tests to appropriate decision makers at the CCP and to use these results to evaluate the adequacy of and adjust its total financial resources. Stress tests should be performed daily using standard and predetermined parameters and assumptions. On at least a monthly basis, a CCP should perform a comprehensive and thorough analysis of stress testing scenarios, models, and underlying parameters and assumptions used to ensure they are appropriate for determining the CCP’s required level of default protection in light of current and evolving market conditions. A CCP should perform this analysis of stress testing more frequently when</p>	<p>Not applicable</p>	

Principle	Compliance	Description
<p>the products cleared or markets served display high volatility, become less liquid, or when the size or concentration of positions held by a CCP's participants increases significantly. A full validation of a CCP's risk-management model should be performed at least annually.</p>		
<p>Key consideration 6. In conducting stress testing, a CCP should consider the effect of a wide range of relevant stress scenarios in terms of both defaulters' positions and possible price changes in liquidation periods. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions.</p>	<p>Not applicable</p>	
<p>Key consideration 7. An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should also indicate the FMI's process to replenish any financial resources that the FMI</p>	<p>Not applicable</p>	

Principle	Compliance	Description
may employ during a stress event, so that the FMI can continue to operate in a safe and sound manner.		
Principle 5. Collateral		
An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.		
Key consideration 1. An FMI should generally limit the assets it (routinely) accepts as collateral to those with low credit, liquidity, and market risks	Not applicable	Provisions of this principle are not applicable to the Central Securities Depository since securities settlement schemes do not involve acceptance of any collateral for credit risk management.
Key consideration 2. An FMI should establish prudent valuation practices and develop haircuts that are regularly tested and take into account stressed market conditions	Not applicable	
Key consideration 3. In order to reduce the need for procyclical adjustments, an FMI should establish stable and conservative haircuts that are calibrated to include periods of stressed market conditions, to the extent practicable and prudent	Not applicable	
Key consideration 4. An FMI should avoid concentrated holdings of certain assets where this would significantly impair the ability to liquidate such assets quickly without significant adverse price effects	Not applicable	

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Principle	Compliance	Description
<p>Key consideration 5. An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure that the collateral can be used in a timely manner</p>	Not applicable	
<p>Key consideration 6. An FMI should use a collateral management system that is well-designed and operationally flexible</p>	Not applicable	
<p>Principle 6. Margin A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed</p>		
<p>Key consideration 1. A CCP should have a margin system that establishes margin levels commensurate with the risks and particular attributes of each product, portfolio, and market it serves</p>	Not applicable	Provisions of this principle are not applicable to the Central Securities Depository since the Central Securities Depository does not perform functions of CCP, and securities settlement schemes do not imply creation of the guarantee deposits system.
<p>Key consideration 2. A CCP should have a reliable source of timely price data for its margin system. A CCP should also have procedures and sound valuation models for addressing circumstances in which pricing data are not readily available or reliable</p>	Not applicable	
<p>Key consideration 3. A CCP should adopt initial margin models and parameters that are risk-based and generate margin requirements sufficient to cover its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant</p>	Not applicable	

Principle	Compliance	Description
<p>default. Initial margin should meet an established single-tailed confidence level of at least 99 percent with respect to the estimated distribution of future exposure. For a CCP that calculates margin at the portfolio level, this requirement applies to each portfolio's distribution of future exposure. For a CCP that calculates margin at more-granular levels, such as at the subportfolio level or by product, the requirement must be met for the corresponding distributions of future exposure. The model should (a) use a conservative estimate of the time horizons for the effective hedging or close out of the particular types of products cleared by the CCP (including in stressed market conditions), (b) have an appropriate method for measuring credit exposure that accounts for relevant product risk factors and portfolio effects across products, and (c) to the extent practicable and prudent, limit the need for destabilising, procyclical changes</p> <p>Key consideration 4. A CCP should mark participant positions to market and collect variation margin at least daily to limit the build-up of current exposures. A CCP should have the authority and operational capacity to make intraday margin calls and payments, both scheduled and unscheduled, to participants</p>	<p>Not applicable</p>	

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Principle	Compliance	Description
<p>Key consideration 5. In calculating margin requirements, a CCP may allow offsets or reductions in required margin across products that it clears or between products that it and another CCP clear, if the risk of one product is significantly and reliably correlated with the risk of the other product. Where two or more CCPs are authorised to offer cross-margining, they must have appropriate safeguards and harmonised overall risk-management systems</p>	Not applicable	
<p>Key consideration 6. A CCP should analyse and monitor its model performance and overall margin coverage by conducting rigorous daily backtesting and at least monthly, and more frequent where appropriate, sensitivity analysis. A CCP should regularly conduct an assessment of the theoretical and empirical properties of its margin model for all products it clears. In conducting sensitivity analysis of the model's coverage, a CCP should take into account a wide range of parameters and assumptions that reflect possible market conditions, including the most-volatile periods that have been experienced by the markets it serves and extreme changes in the correlations between prices</p>	Not applicable	
<p>Key consideration 7. A CCP should regularly review and validate its margin system</p>	Not applicable	

Principle	Compliance	Description
<p>Principle 7. Liquidity risk An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</p>		
<p>Key consideration 1. An FMI should have a robust framework to manage its liquidity risks from its participants, settlement banks, nostro agents, custodian banks, liquidity providers, and other entities</p>	Partially complied	Provisions of this principle are not fully applicable to the Central Securities Depository since the Central Securities Depository does not perform functions of CCP and there is no need to maintain liquid resources, taking into account the specifics of securities settlements.
<p>Key consideration 2. An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.</p>	Complied	<p>Currently, the Central Securities Depository is the only organization that conducts depository activities and activities for maintaining a system of security holders registers in territory of the Republic of Kazakhstan. Due to integration of two recording systems, registrar and depository, from January 01, 2019, operations and transactions between sub-accounts in nominee holding and personal accounts in the system of security holders registers have been registered directly, without the need to transfer securities to nominee holding or to the system of security holders registers.</p> <p>The Central Securities Depository uses a gross settlement system, which does not allow optimizing the settlement liquidity. In addition, lack of loan facilities, stock lending and failure of management mechanisms contribute to certain degree of exposure to liquidity risk, in particular for over-the-counter settlements. Nevertheless, repo and reverse repo markets look quite active. There is a settlement model with full pre-financing for exchange transactions, which practically eliminates failures in the market. At the same time, KASE charges fines for non-settlement of transactions. All securities subject to settlement in the Central Securities Depository are dematerialized, and registration process in SWIFT takes on average less than two hours.</p>

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<p>Key consideration 3. A payment system or SSS, including one employing a DNS mechanism, should maintain sufficient liquid resources in all relevant currencies to effect same-day settlement, and where appropriate intraday or multiday settlement, of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions</p>	Complied	<p>T+2 settlement cycle is applied for all financial instruments of KASE stock market, auctions of short-term NBK notes and allows using margin. The Central Securities Depository uses gross settlement system along with the net settlement system, being a settlement organization for KASE. With KASE performing CCP's function, fulfillment of obligations to each bona fide participant is guaranteed, which eliminates the need for bidders to assess credit risks of all counterparty-bidders. Also, costs for bidders are reduced due to presence of a single counterparty – CCP and netting of mutual claims and obligations for transactions in certain financial instruments. Different types of financial instruments accepted as margin collateral are used. Reliability of the exchange market has been improved due to increased liquidity and guarantee of settlement of transactions concluded. Currently, T+2 settlement cycle is applied for all financial instruments of KASE stock market, which include shares, corporate bonds, government securities, depositary receipts with settlements in USD, Eurobonds with settlements in USD, securities of investment funds, international bonds of the Republic of Kazakhstan, securities of international financial organizations and allows margin. This should potentially increase liquidity in the market.</p>
<p>Key consideration 4. A CCP should maintain sufficient liquid resources in all relevant currencies to settle securities-related payments, make required variation margin payments, and meet other payment obligations on time with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should consider maintaining additional liquidity resources sufficient</p>	Not applicable	

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<p>to cover a wider range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions.</p> <p>Key consideration 5. For the purpose of meeting its minimum liquid resource requirement, an FMI’s qualifying liquid resources in each currency include cash at the central bank of issue and at creditworthy commercial banks, committed lines of credit, committed foreign exchange swaps, and committed repos, as well as highly marketable collateral held in custody and investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions. If an FMI has access to routine credit at the central bank of issue, the FMI may count such access as part of the minimum requirement to the extent it has collateral that is eligible for pledging to (or for conducting other appropriate forms of transactions with) the relevant central bank. All such resources should be available when needed.</p>	<p>Not applicable</p>	

Principle	Compliance	Description
<p>Key consideration 6. An FMI may supplement its qualifying liquid resources with other forms of liquid resources. If the FMI does so, then these liquid resources should be in the form of assets that are likely to be saleable or acceptable as collateral for lines of credit, swaps, or repos on an ad hoc basis following a default, even if this cannot be reliably prearranged or guaranteed in extreme market conditions. Even if an FMI does not have access to routine central bank credit, it should still take account of what collateral is typically accepted by the relevant central bank, as such assets may be more likely to be liquid in stressed circumstances. An FMI should not assume the availability of emergency central bank credit as a part of its liquidity plan.</p>	<p>Not applicable</p>	
<p>Key consideration 7. An FMI should obtain a high degree of confidence, through rigorous due diligence, that each provider of its minimum required qualifying liquid resources, whether a participant of the FMI or an external party, has sufficient information to understand and to manage its associated liquidity risks, and that it has the capacity to perform as required under its commitment. Where relevant to assessing a liquidity provider's performance reliability with respect to a particular currency, a liquidity provider's potential access to credit from the central bank of issue may be taken into account. An</p>	<p>Not applicable</p>	

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<p>FMI should regularly test its procedures for accessing its liquid resources at a liquidity provider.</p>		
<p>Key consideration 8. An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk</p>	<p>Not applicable</p>	
<p>Key consideration 9. An FMI should determine the amount and regularly test the sufficiency of its liquid resources through rigorous stress testing. An FMI should have clear procedures to report the results of its stress tests to appropriate decision makers at the FMI and to use these results to evaluate the adequacy of and adjust its liquidity risk management framework. In conducting stress testing, an FMI should consider a wide range of relevant scenarios. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions. Scenarios should also take into account the design and operation of the FMI, include all entities that might pose material liquidity risks to the FMI (such as settlement banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and where appropriate, cover a multiday period. In all cases,</p>	<p>Not applicable</p>	

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<p>an FMI should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount and form of total liquid resources it maintains.</p> <p>Key consideration 10. An FMI should establish explicit rules and procedures that enable the FMI to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations on time following any individual or combined default among its participants. These rules and procedures should address unforeseen and potentially uncovered liquidity shortfalls and should aim to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. These rules and procedures should also indicate the FMI's process to replenish any liquidity resources it may employ during a stress event, so that it can continue to operate in a safe and sound manner.</p>	<p>Not applicable</p>	
<p>Principle 8. Settlement finality An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</p>		
<p>Key consideration 1. An FMI's rules and procedures should clearly define the point at which settlement is final</p>	<p>Complied</p>	<p>Transaction settlement is regulated by the Code of Rules and is considered final:</p> <ol style="list-style-type: none"> 1) at the time of receipt of confirmation by the Central Securities Depository on crediting money to account of financial instruments' sender (when registering a transaction requiring cash settlements, and if the bank account of financial instruments' sender is opened in payment system); 2) at the time of crediting money by the Central Securities Depository to account of financial instruments' sender (when registering a transaction requiring cash settlements, and if the bank account of financial instruments' sender is opened in

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		<p>the Central Securities Depository);</p> <p>3) at the time of crediting financial instruments by the Central Securities Depository to account of their recipient (when registering a transaction that does not require cash settlements, and if account of the financial instruments recipient is opened in the Central Securities Depository);</p> <p>4) at the time of receipt of a document by the Central Securities Depository from a foreign or international securities depository that confirms crediting of financial instruments to account of their recipient (when registering a transaction for the Central Securities Depository's account in foreign or international securities depository);</p> <p>5) at the time of receipt of a document by the Central Securities Depository from a foreign or international securities depository that confirms write-off of financial instruments from the Central Securities Depository's account (when registering a transaction for the Central Securities Depository's account in foreign or international securities depository);</p> <p>6) at the time of crediting assets by the Central Securities Depository to accounts of clearing participants on the basis of an order from trading authority for net transaction registration.</p> <p>Financial instruments blocked in the sender's account for transactions requiring money transfer are transferred by the Central Securities Depository only if ISMT, foreign or international securities depository, or payment system of the Central Securities Depository has confirmed transfer of money to the sender. Otherwise, financial instruments will be unblocked in the sender's account.</p>
<p>Key consideration 2. An FMI should complete final settlement no later than the end of the value date, and preferably intraday or in real time, to reduce settlement risk. An LVPS or SSS should consider adopting RTGS or multiple-batch processing during the settlement day</p>	<p>Complied</p>	<p>The Central Securities Depository provides settlement during the value date and almost in real time.</p>

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<p>Key consideration 3. An FMI should clearly define the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant</p>	Complied	Unsettled payments, transfer orders and other obligations cannot be withdrawn by participant after performing actions according to order or other document that is a basis for registering transaction (operation, event) at the time of dispatch (delivery) to the person who submitted order (document), reporting document confirming execution of this order (document).
<p>Principle 9. Money settlements An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.</p>		
<p>Key consideration 1. An FMI should conduct its money settlements in central bank money, where practical and available, to avoid credit and liquidity risks</p>	Complied	<p>Money settlements in tenge are conducted using funds of the Central Securities Depository's clients stored in the National Bank, or funds of clients stored in the Central Securities Depository, which, in turn, stores these funds in the National Bank's account. Money settlements in foreign currency are conducted using funds of the Central Securities Depository's clients stored in the Central Securities Depository, which, in turn, stores these funds in accounts of international securities depository and bank with a high credit rating.</p> <p>The Central Securities Depository has developed and approved an internal document regulating the procedure for selecting custodians and banks for settlements, and establishing requirements for them.</p>
<p>Key consideration 2. If central bank money is not used, an FMI should conduct its money settlements using a settlement asset with little or no credit or liquidity risk</p>	Complied	<p>Money settlements in tenge are conducted using funds of the Central Securities Depository's clients stored in the National Bank, or funds of clients stored in the Central Securities Depository, which, in turn, stores these funds in the National Bank's account. Money settlements in foreign currency are conducted using funds of the Central Securities Depository's clients stored in the Central Securities Depository, which, in turn, stores these funds in accounts of international securities depository and bank with a high credit rating.</p> <p>The Central Securities Depository does not use its own funds during transactions settlement. Currently, most of the money settlements in regulated market are conducted through settlement account of CCP, which is KASE.</p>

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<p>Key consideration 3. If an FMI settles in commercial bank money, it should monitor, manage, and limit its credit and liquidity risks arising from the commercial settlement banks. In particular, an FMI should establish and monitor adherence to strict criteria for its settlement banks that take account of, among other things, their regulation and supervision, creditworthiness, capitalisation, access to liquidity, and operational reliability. An FMI should also monitor and manage the concentration of credit and liquidity exposures to its commercial settlement banks.</p>	Complied	<p>Money settlements in tenge are conducted using funds of the Central Securities Depository's clients stored in the National Bank, or funds of clients stored in the Central Securities Depository, which, in turn, stores these funds in the National Bank's account. Money settlements in foreign currency are conducted using funds of the Central Securities Depository's clients stored in the Central Securities Depository, which, in turn, stores these funds in accounts of international securities depository and bank with a high credit rating.</p> <p>The Central Securities Depository has developed and approved an internal document regulating the procedure for selecting custodians and banks for settlements, and establishing requirements for them.</p> <p>All counterparties of the Central Securities Depository, through which payments and transaction settlements are conducted, are subject to regulation and supervision by authorized bodies, and have a fairly high credit rating.</p>
<p>Key consideration 4. If an FMI conducts money settlements on its own books, it should minimise and strictly control its credit and liquidity risks.</p>	Not applicable	<p>Regulatory legal framework for money transfers in national currency, including finality of money transfers, is regulated by legislation of the Republic of Kazakhstan on payments and money transfers, namely: the Law of the Republic of Kazakhstan "On Payments and Payment Systems", the Rules for Non-Cash Payments and (or) Money Transfers on Territory of the Republic of Kazakhstan.</p> <p>The Central Securities Depository does not use its own funds during transactions settlement. Currently, most of the money settlements in regulated market are conducted through settlement account of CCP, which is KASE.</p>
<p>Key consideration 5. An FMI's legal agreements with any settlement banks should state clearly when transfers on the books of individual settlement banks are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day and ideally intraday, in order to enable the FMI and its participants to manage credit and liquidity risks.</p>	Complied	<p>Regulatory legal framework for money transfers in national currency, including finality of money transfers, is regulated by legislation of the Republic of Kazakhstan on payments and money transfers, namely: the Law of the Republic of Kazakhstan "On Payments and Payment Systems", the Rules for Non-Cash Payments and (or) Money Transfers on Territory of the Republic of Kazakhstan.</p>

Principle	Compliance	Description
Principle 10. Physical deliveries		
An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.		
Key consideration 1. An FMI’s rules should clearly state its obligations with respect to the delivery of physical instruments or commodities.	Not applicable	Provisions of this principle are not applicable to the Central Securities Depository since the Central Securities Depository does not supply instruments and goods physically (all financial instruments held nominally by the Central Securities Depository are dematerialized).
Key consideration 2. An FMI should identify, monitor, and manage the risks and costs associated with the storage and delivery of physical instruments or commodities.	Not applicable	
Principle 11. Central Securities Depositories		
A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.		
Key consideration 1. A CSD should have appropriate rules, procedures, and controls, including robust accounting practices, to safeguard the rights of securities issuers and holders, prevent the unauthorised creation or deletion of securities, and conduct periodic and at least daily reconciliation of securities issues it maintains	Complied	To protect the rights of issuers and security holders, prevent unauthorized creation or exclusion of securities, the Central Securities Depository has introduced and is taking the following measures, but not limited to them: <ol style="list-style-type: none"> 1) separate recording of financial instruments in respective accounts; 2) use of double lodging, confirmation and subsequent control procedures when settling transactions (operations) in financial instruments; 3) measures to ensure physical and information security (client identification, user authorization, data encryption, data backup, and others); 4) reporting to clients on transactions (operations) in financial instruments; 5) reconciliation of recording system data with data of international and foreign securities depositories (at least once a month and after each transaction); 6) internal audit of the Central Securities Depository recording system; 7) compliance control over the compliance of the Central Securities Depository's activities with the norms of applicable legislation of the Republic of Kazakhstan, charter and internal documents of the Central Securities Depository, terms of

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		contractual relations; 8) operational audit (at least once every five years). In addition, the Central Securities Depository insures its professional liability annually in order to protect the rights of issuers and security holders. In 2019, the Central Securities Depository insured its risks (professional liability) in the amount of KZT 500 million. Insurance objects are property interests of the Central Securities Depository related to causing losses to third parties as a result of their professional activities, as well as property interests of the Central Securities Depository related to causing damage to it as a result of insured events (intentional actions of employees of the policyholder or third parties, financial and computer crimes and other insured events).
<p>Key consideration 2. A CSD should prohibit overdrafts and debit balances in securities accounts</p>	Complied	The Central Securities Depository does not allow the overdraft by issuing various records to its clients, including those drawn up either for each individual order, or on a date (at a time), or for a period issued on one-time basis or periodically on the basis of separate orders, or without the need to submit separate orders.
<p>Key consideration 3. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry. Where appropriate, a CSD should provide incentives to immobilise or dematerialise securities</p>	Complied	Financial instruments issued in certificated form are dematerialized by the Central Securities Depository by recording and certifying the rights to these financial instruments in its recordkeeping system for nominee holding in personal accounts (subaccounts) of the Central Securities Depository's clients. The Central Securities Depository stores dematerialized financial instruments in accordance with the procedure established by law of the Republic of Kazakhstan "On the Securities Market".
<p>Key consideration 4. A CSD should protect assets against custody risk through appropriate rules and procedures consistent with its legal framework</p>	Complied	The Central Securities Depository provides services to clients, clearing organizations, and (or) CCP of regulated and (or) OTC securities market on terms and in accordance with a procedure established by the Code of Rules.
<p>Key consideration 5. A CSD should employ a robust system that ensures segregation between the CSD's own assets and the securities of its participants and segregation among the securities of participants. Where supported by the legal framework, the CSD should also support</p>	Complied	Financial instruments of the Central Securities Depository's clients are recorded separately from financial instruments owned by the Central Securities Depository itself, in off-balance accounts. Subaccounts opened in the participant's personal account are intended for separate recording of instruments belonging to the participant and its clients: 1) subaccount of participant – for recording instruments that belong to participant; 2) participant's sub-account for recording declared instruments – recording for

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operationally the segregation of securities belonging to a participant's customers on the participant's books and facilitate the transfer of customer holdings		<p>instruments issued but not offered by participant;</p> <p>3) participant's sub-account for recording repurchased instruments – recording for instruments issued by participant and repurchased by it on the secondary financial market;</p> <p>4) holder's sub-account – for recording instruments that belong to participant's client;</p> <p>5) nominee's sub-account – for recording instruments held nominally by participant or participant's client;</p> <p>6) nominee's sub-account for aggregated recording of instruments – for recording instruments held nominally by participant and owned by participant's clients, in whose names the holders' sub-accounts are opened in participant's personal account;</p> <p>7) issuer's sub-account for recording declared instruments – recording for instruments issued but not offered by participant's client;</p> <p>8) issuer's sub-account for recording repurchased instruments – recording for instruments issued by participant's client and repurchased by it on the secondary financial market.</p>
<p>Key consideration 6. A CSD should identify, measure, monitor, and manage its risks from other activities that it may perform. Additional tools may be necessary in order to address these risks</p>	Complied	<p>Risk management activities of the Central Securities Depository are regulated by the Risk Management and Internal Control System Formation Rules for the Central Securities Depository, approved with resolution of the Management Board of National Bank of the Republic of Kazakhstan No. 318 dated December 28, 2018, as well as internal documents of the Central Securities Depository, such as the Risk Management Policy approved with resolution of the Board of Directors (absentee voting minutes No. 102(z) dated December 22, 2020) and Risk Management Rules approved with resolution of the Management Board of the Central Securities Depository (minutes No.10 dated March 31, 2011). These documents regulate procedure for identifying, assessing, measuring risks inherent in activities of the Central Securities Depository, taking response measures as well as monitoring and controlling them.</p>

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<p>Principle 12. Exchange-of-value settlement systems If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.</p>		
<p>Key consideration 1. An FMI that is an exchange-of-value settlement system should eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs, regardless of whether the FMI settles on a gross or net basis and when finality occurs</p>	Complied	<p>In process of registering a transaction for purchase and sale of instruments related to money transfer, the Central Securities Depository transfers the instruments sold to Settlements section, and also forms and submits a payment order for money transfer from bank account (position in ISMT) of the instruments recipient to transit money account of the Central Securities Depository.</p> <p>In the event that a money transfer has not been executed according to payment order of the Central Securities Depository, the Central Securities Depository transfers (returns) instruments from the Settlements section to section of personal account or sub-account of the instruments sender from which these instruments are debited for crediting to Settlements section.</p> <p>In the event that a money transfer has not been executed according to payment order of the Central Securities Depository, the Central Securities Depository:</p> <ol style="list-style-type: none"> 1) transfers the instruments sold from Settlements section to section of personal account or sub-account of the instruments recipient that corresponds to the nature of transaction being registered; 2) forms and submits a payment order for money transfer from transit money account of the Central Securities Depository to bank account (position in ISMT) of the instruments' sender.
<p>Principle 13. Participant-default rules and procedures An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.</p>		
<p>Key consideration 1. An FMI should have default rules and procedures that enable the FMI to continue to meet its obligations in the event of a participant default and that address the replenishment of resources following a default</p>	Not applicable	<p>Transactions in securities and money are registered by the Central Securities Depository with full assets prefunding by its clients. The Central Securities Depository refuses to execute order to register a transaction (operation, event) on OTC market if there is no supplier of the instruments specified in this order in personal account/subaccount. When registering transactions on regulated market, management of defaults is regulated by KASE. Terms and procedure for the Central Securities Depository's activities in the financial market, including reasons for refusal to settle transactions (operations,</p>

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		events) are reflected in the Code of Rules, which is available on the Central Securities Depository's website.
<p>Key consideration 2. An FMI should be well prepared to implement its default rules and procedures, including any appropriate discretionary procedures provided for in its rules</p>	Not applicable	
<p>Key consideration 3. An FMI should publicly disclose key aspects of its default rules and procedures</p>	Not applicable	
<p>Key consideration 4. An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective</p>	Not applicable	<p>Transactions in securities and money are registered by the Central Securities Depository with full assets prefunding by its clients. The Central Securities Depository refuses to execute order to register a transaction (operation, event) on OTC market if there is no supplier of the instruments specified in this order in personal account/subaccount. When registering transactions on regulated market, management of defaults is regulated by KASE. Terms and procedure for the Central Securities Depository's activities in the financial market, including reasons for refusal to settle transactions (operations, events) are reflected in the Code of Rules, which is available on the Central Securities Depository's website.</p> <p>In view of the above, and taking into account the absence of any violations and (or) problems related to procedures for business relations termination and return of assets to clients subject to liquidation, the Central Securities Depository did not conduct testing and analysis of default management procedures, including liquidation procedures.</p>

Principle	Compliance	Description
<p>Principle 14. Segregation and portability A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.</p>		
<p>Key consideration 1. A CCP should, at a minimum, have segregation and portability arrangements that effectively protect a participant's customers' positions and related collateral from the default or insolvency of that participant. If the CCP additionally offers protection of such customer positions and collateral against the concurrent default of the participant and a fellow customer, the CCP should take steps to ensure that such protection is effective</p>	Not applicable	Provisions of this principle are not applicable to the Central Securities Depository since the Central Securities Depository does not perform functions of CCP.
<p>Key consideration 2. A CCP should employ an account structure that enables it readily to identify positions of a participant's customers and to segregate related collateral. A CCP should maintain customer positions and collateral in individual customer accounts or in omnibus customer accounts</p>	Not applicable	
<p>Key consideration 3. A CCP should structure its portability arrangements in a way that makes it highly likely that the positions and collateral of a defaulting participant's customers will be transferred to one or more other participants</p>	Not applicable	

Principle	Compliance	Description
<p>Key consideration 4. A CCP should disclose its rules, policies, and procedures relating to the segregation and portability of a participant's customers' positions and related collateral. In particular, the CCP should disclose whether customer collateral is protected on an individual or omnibus basis. In addition, a CCP should disclose any constraints, such as legal or operational constraints, that may impair its ability to segregate or port a participant's customers' positions and related collateral</p>	Not applicable	
<p>Principle 15. General business risk An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</p>		
<p>Key consideration 1. An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses</p>	Complied	The Central Securities Depository conducts regular monitoring of its financial stability, including, inter alia, monitoring of capital adequacy indicators, liquidity ratios, income and expenditure levels. At the same time, the capital adequacy assessment provides for an assessment of operational, market and credit risks.
<p>Key consideration 2. An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold</p>	Complied	Liquid assets of the Central Securities Depository intended to cover risks, including general business risk, are represented by government securities issued by the Ministry of Finance and National Bank, as well as deposits in the National Bank. Currently, level of net liquid assets of the Central Securities Depository is sufficient to cover expenses of the Central Securities Depository for more than two years.

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<p>should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken</p> <p>Key consideration 3. An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements</p> <p>Key consideration 4. Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions</p> <p>Key consideration 5. An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>To ensure business continuity, the Business Continuity Management Policy, business continuity and incident management plans have been developed and approved. In addition, the Central Securities Depository monitors and controls the indicators of capital adequacy and cash liquidity in order to ensure financial stability.</p> <p>The Central Securities Depository's own assets are invested in government securities of the Ministry of Finance of the Republic of Kazakhstan, National Bank and deposits in the National Bank. These assets are the least risky and the most liquid.</p> <p>The Central Securities Depository monitors its own capital adequacy continuously. Internal documents of the Central Securities Depository identify indicators, the deterioration of which requires adoption of response measures aimed at improving financial stability of the Central Securities Depository.</p>

Principle	Compliance	Description
regularly		
<p>Principle 16. Custody and investment risks An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.</p>		
<p>Key consideration 1. An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets</p>	Complied	<p>The Central Securities Depository opens nominee accounts in foreign and international securities depositories, and in custodians as well. Resident organizations of the Republic of Kazakhstan, in which the Central Securities Depository can open accounts, are subject to supervision and regulation by the National Bank. At the same time, the National Bank has established prudential standards for these organizations, requirements for risk management and internal control systems, as well as other mandatory requirements. Also, the Central Securities Depository has established requirements for recordkeeping organizations and servicing banks. The Central Securities Depository monitors continuously the compliance of recordkeeping organizations and servicing banks with the established requirements.</p>
<p>Key consideration 2. An FMI should have prompt access to its assets and the assets provided by participants, when required</p>	Complied	<p>The Central Securities Depository and its participants have access to their assets at any time during business day of the Central Securities Depository, its recordkeeping organizations and servicing banks.</p>
<p>Key consideration 3. An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each</p>	Complied	<p>Money settlements in tenge are conducted using funds of the Central Securities Depository's clients stored in the National Bank, or funds of clients stored in the Central Securities Depository, which, in turn, stores these funds in the National Bank's account. Money settlements in foreign currency are conducted using funds of the Central Securities Depository's clients stored in the Central Securities Depository, which, in turn, stores these funds in accounts of international securities depository and bank with a high credit rating. The Central Securities Depository has developed and approved an internal document regulating the procedure for selecting custodians and banks for settlements, and establishing requirements for them.</p>

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<p>Key consideration 4. An FMI’s investment strategy should be consistent with its overall risk-management strategy and fully disclosed to its participants, and investments should be secured by, or be claims on, high-quality obligors. These investments should allow for quick liquidation with little, if any, adverse price effect</p>	Complied	<p>The Equity Investment Policy has been approved by the Board of Directors and is publicly available (on the website of the Central Securities Depository). This policy provides for the possibility of investing the Central Securities Depository's own assets in:</p> <ol style="list-style-type: none"> 1) government securities of the Republic of Kazakhstan, except for securities issued by local executive bodies of the Republic of Kazakhstan; 2) government securities of local executive bodies of the Republic of Kazakhstan, having at the time of investment a credit rating from one of the international rating agencies (Standard & Poor's, Moody's Investors Service, Fitch ratings), the minimum level of which may be no more than one notch lower than the current lowest sovereign credit rating of the Republic of Kazakhstan; 3) bonds of international financial organizations with a credit rating of financial instrument or issuer not lower than BB+ on the Standard & Poor's scale or equivalent rating by Fitch ratings or Moody's Investors Service; 4) agency bonds with a rating of financial instrument or issuer not lower than BB- on the Standard & Poor's scale or equivalent rating by Fitch ratings or Moody's Investors Service; 5) deposits in the National Bank; 6) reverse repo transactions using CCP services with a basket of Government Securities; 7) reverse repo transactions using CCP services with a basket of Issuer's Bonds with Share of State Participation.
<p>Principle 17. Operational risk An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI’s obligations, including in the event of a wide-scale or major disruption.</p>		
<p>Key consideration 1. An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks</p>	Complied	<p>Operational risk management procedures have been developed in accordance with requirements of the National Bank, recommendations of the Basel Committee on Banking Supervision and the Principles for FMI, and are regulated by the Risk Management Policy approved with resolution of the Board of Directors (absentee voting minutes No.102 (z) dated December 22, 2020), as well as other internal documents of the Central Securities Depository.</p>

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		<p>The Central Securities Depository applies the following, but not limited to, operational risk management tools:</p> <ol style="list-style-type: none"> 1) identification of operational risks in new and existing services and business processes; 2) self-assessment of risks and controls; 3) collection and analysis of operational risk statistics; 4) quantitative assessment of operational risks, including capital assessment necessary to cover operational risks; 5) operational risk stress analysis; 6) formation of operational risk maps/matrices; 7) operational risk insurance.
<p>Key consideration 2. An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes</p>	Complied	<p>Roles and responsibilities of structural units and collegial bodies of the Central Securities Depository are defined by internal documents on risk management. Efficiency of the risk management and internal control system is assessed independently, as well as within the framework of audits.</p>
<p>Key consideration 3. An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives</p>	Complied	<p>To solve the tasks of ensuring operational reliability, the Central Securities Depository has developed and approved internal documents regulating procedures for managing operational and other risks arising in activities of the Central Securities Depository, ensuring reliable functioning of hardware and software equipment, information, physical and fire safety, and business continuity management.</p>
<p>Key consideration 4. An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives</p>	Complied	<p>To assess adequacy of the off-take capacity for processing increased volumes of operations and ensuring provision of services at the established level, the Central Securities Depository performs stress analysis on operational risk on a quarterly basis (scenario analysis and testing of the Central Securities Depository's systems by selecting, combining and modeling stress situations).</p> <p>The Central Securities Depository monitors external communication channels of information and communication systems. On the basis of monitoring and quality control of external data channels, the Central Securities Depository performs actions provided</p>

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		<p>for by internal documents of the Central Securities Depository in case of emergency situations related to network and communication systems. In addition, the Central Securities Depository monitors performance of server equipment and databases in order to determine and track throughput and performance of main and backup server equipment.</p> <p>Adequacy of capacities and throughput for processing increased stress volumes of operations is determined in information system of the Central Securities Depository. The Central Securities Depository conducts testing of external transport systems, automated information systems and server equipment under stress loads.</p> <p>If a lack of throughput is detected, the Central Securities Depository takes measures to increase it, optimize processes and ensure timely processing of operations.</p> <p>Monthly server performance reports are generated in order to monitor performance of database servers. If a lack of server performance is detected, the Central Securities Depository takes measures to improve the performance.</p>
<p>Key consideration 5. An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats</p>	Complied	<p>Procedures for ensuring physical and information security of the Central Securities Depository have been developed in accordance with the legislation of the Republic of Kazakhstan and regulatory legal acts of authorized body. Measures to ensure physical and information security are regulated by internal documents of the Central Securities Depository (see also response to Key consideration 1 of this principle).</p>
<p>Key consideration 6. An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a widescale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these</p>	Complied	<p>The Central Securities Depository's business continuity management plans have been developed in accordance with international standards and practices and provide for the procedure for activating plans, notifying interested parties, communication methods, procedure for evacuation and relocation to a backup technical center, identifying status of transactions, procedures for restoring and returning to normal course of activity, as well as other norms. At the same time, plans provide for the need to restore critical activities (business processes) within two hours after disruption of the normal course of activity, as well as the need to complete settlements before the end of current business day.</p> <p>For possibility of uninterrupted provision of services, the Central Securities Depository has a full-fledged backup infrastructure - backup technical center, including a data center and backup office, equipped with necessary resources and ready for immediate activation. All information from main office systems enters the systems of backup technical center in a continuous mode throughout business day, and is reserved at the</p>

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arrangements		end of a business day. Backup technical center is located at a distance of about 35 kilometers from the Central Securities Depository's office.
<p>Key consideration 7. An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.</p>	Complied	Procedures for monitoring and managing operational and other risks arising in activities of the Central Securities Depository are regulated by the Risk Management and Internal Control System Formation Rules for the Central Securities Depository, approved with resolution of the Management Board of National Bank of the Republic of Kazakhstan No. 318 dated December 28, 2018, Risk Management Policy approved by the Board of Directors of the Central Securities Depository (absentee voting minutes No. 102(z) dated December 22, 2020), and Risk Management Rules approved by the Management Board of the Central Securities Depository (minutes No.10 dated March 31, 2011).
<p>Principle 18. Access and participation requirements An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.</p>		
<p>Key consideration 1. An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements</p>	Complied	<p>Categories of entities/persons to whom the Central Securities Depository has the right to provide services in the financial market are determined by legislative acts of the Republic of Kazakhstan or in accordance with them.</p> <p>Affiliation of the Central Securities Depository's client to one or another category of entities/persons to whom the Central Securities Depository has the right to provide services in the financial market determines types of accounts (personal accounts, subaccounts) that the Central Securities Depository can open for this entity/person, and types of services that the Central Securities Depository can provide to this entity/person (with certain permissible deviations arising from legislation of the Republic of Kazakhstan).</p> <p>The Central Securities Depository enters into only one contract with each of its clients, which is necessary for this client to receive any of the Central Securities Depository's services that can be provided to this client in accordance with the legislation of the Republic of Kazakhstan and the Code of Rules.</p>

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<p>Key consideration 2. An FMI’s participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI’s specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit</p>	Complied	Requirements for establishing business relations have been developed in accordance with the requirements of legislation of the Republic of Kazakhstan, and are standard for all clients of the Central Securities Depository. All internal documents of the Central Securities Depository regulating these requirements are posted on the Central Securities Depository's website.
<p>Key consideration 3. An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.</p>	Complied	Internal documents included in the Code of Rules and requirements for documents and procedures for establishing and terminating business relations with the Central Securities Depository have been developed in order to ensure certain and transparent procedures for establishing and terminating business relations. These documents are available on the Central Securities Depository's website. The Central Securities Depository monitors continuously the compliance of participants with the established requirements.
<p>Principle 19. Tiered participation arrangements An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.</p>		
<p>Key consideration 1. An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.</p>	Complied	<p>Entity/person intending to conclude an agreement is obliged to submit an application to the Central Securities Depository.</p> <p>By submitting an application to the Central Securities Depository, applicant thereby confirms that:</p> <ol style="list-style-type: none"> 1) it is familiar with the agreement terms (that is, with the Code of Rules), understands their meaning and agrees with them unconditionally; 2) assumes the established obligations to the Central Securities Depository unconditionally; 3) agrees unconditionally with the rights of the Central Securities Depository's client with respect to the Central Securities Depository, as well as with limitations of these rights; 4) agrees unconditionally with responsibility of the Central Securities Depository, as

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		<p>well as with limitations and exclusions of this responsibility.</p> <p>Application forms for establishing, maintaining and terminating business relations with the Central Securities Depository provide the client with basic information about indirect participation.</p> <p>The Central Securities Depository may collect and analyze information on indirect participation in cases stipulated by the legislation of the Republic of Kazakhstan and other necessary cases.</p>
<p>Key consideration 2. An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.</p>	Complied	<p>The Central Securities Depository identifies significant relations between direct and indirect participants within the framework of client identification conducted when establishing business relations, in accordance with the provisions of internal documents of the Central Securities Depository and requirements of the legislation of the Republic of Kazakhstan.</p>
<p>Key consideration 3. An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.</p>	Complied	<p>Within the framework of AML/CFT, the Central Securities Depository monitors and studies transactions in the case of systematic and (or) significant amounts of unusual and (or) suspicious transactions made by client.</p>
<p>Key consideration 4. An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.</p>	Complied	<p>In accordance with ML/FT risk management program specified in internal control rules in order to counteract legalization (laundering) of proceeds from crime and financing of terrorism, the Central Securities Depository assesses the degree of exposure of its services to ML/FT risks annually, taking into account at least the following specific risk categories: risk by type of client, country (geographical) risk, service risk and (or) risk of its provision method.</p>

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Principle 20. FMI links		
An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.		
<p>Key consideration 1. Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.</p>	Complied	<p>Relations with other FMIs are established by the Central Securities Depository on the basis of requirements of the legislation of the Republic of Kazakhstan and (or) resolutions of the Central Securities Depository bodies adopted in accordance with the established procedure within their competence. During and after establishing relations, the Central Securities Depository analyzes and monitors the inherent risks and, if necessary, takes measures to minimize such risks.</p> <p>To record for clients' securities, relations have been established with the following organizations (nominee accounts have been opened):</p> <ol style="list-style-type: none"> 1) Clearstream Banking, A.G., Frankfurt; 2) Euroclear Bank S.A./N.V.; 3) Central Depository CJSC (Kyrgyz Republic) 4) Non-Bank Credit Institution National Settlement Depository Joint-Stock Company (Russian Federation); 5) Republican Central Securities Depository, Republican Unitary Enterprise (Republic of Belarus); 6) Astana International Exchange Central Securities Depository Limited <p>To record for clients' funds, relations have been established with the following organizations (accounts have been opened):</p> <ol style="list-style-type: none"> 1) National Bank; 2) Clearstream Banking AG, Luxemburg; 3) Euroclear Bank N/A; 4) Non-Bank Credit Institution National Settlement Depository Joint-Stock Company (Russian Federation); 5) Citibank, N.A. (United States of America); 6) Citibank, N.A. (United Kingdom); 7) Sberbank PJSC (Russian Federation).
<p>Key consideration 2. A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved</p>	Complied	<p>The Central Securities Depository establishes relations in accordance with the legislation of the Republic of Kazakhstan. Interaction with clients of the Central Securities Depository is performed on the basis of the Code of Rules, which provides for the responsibility of parties for improper performance of obligations.</p>

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<p>in the link</p> <p>Key consideration 3. Linked CSDs should measure, monitor, and manage the credit and liquidity risks arising from each other. Any credit extensions between CSDs should be covered fully with high-quality collateral and be subject to limits</p>	Complied	<p>Transactions in securities and money are registered by the Central Securities Depository with full assets prefunding by its clients. The Central Securities Depository refuses to execute order to register a transaction (operation, event) on OTC market if there is no supplier of the instruments specified in this order in personal account/subaccount. When registering transactions on regulated market, management of defaults is regulated by KASE. Terms and procedure for the Central Securities Depository's activities in the financial market, including reasons for refusal to settle transactions (operations, events) are reflected in the Code of Rules, which is available on the Central Securities Depository's website.</p> <p>The Central Securities Depository does not provide loans and does not attract lending resources to perform its activities.</p>
<p>Key consideration 4. Provisional transfers of securities between linked CSDs should be prohibited or, at a minimum, the retransfer of provisionally transferred securities should be prohibited prior to the transfer becoming final</p>	Complied	<p>Transaction or other operation in financial instruments is registered for the Central Securities Depository's account in recordkeeping organization in accordance with the rules of recordkeeping organization. Transaction settlement is regulated by the Code of Rules and is considered final at the time the Central Securities Depository receives a document from foreign or international securities depository that confirms crediting of financial instruments to account of their recipient (when registering a transaction for the Central Securities Depository's account in a foreign or international securities depository) or at the time the Central Securities Depository receives a document from foreign or international securities depository that confirms write-off of financial instruments from the Central Securities Depository's account (when registering a transaction for the Central Securities Depository's account in a foreign or international securities depository).</p>
<p>Key consideration 5. An investor CSD should only establish a link with an issuer CSD if the arrangement provides a high level of protection for the rights of the investor CSD's participants</p>	Not applicable	<p>The Central Securities Depository does not invest its own assets in securities issued by other central securities depositories.</p>

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<p>Key consideration 6. An investor CSD that uses an intermediary to operate a link with an issuer CSD should measure, monitor, and manage the additional risks (including custody, credit, legal, and operational risks) arising from the use of the intermediary</p>	Not applicable	The Central Securities Depository does not invest its own assets in securities issued by other central securities depositories.
<p>Key consideration 7. Before entering into a link with another CCP, a CCP should identify and manage the potential spill-over effects from the default of the linked CCP. If a link has three or more CCPs, each CCP should identify, assess, and manage the risks of the collective link arrangement</p>	Not applicable	
<p>Key consideration 8. Each CCP in a CCP link arrangement should be able to cover, at least on a daily basis, its current and potential future exposures to the linked CCP and its participants, if any, fully with a high degree of confidence without reducing the CCP's ability to fulfil its obligations to its own participants at any time</p>	Not applicable	
<p>Key consideration 9. A TR should carefully assess the additional operational risks related to its links to ensure the scalability and reliability of IT and related resources</p>	Complied	<p>To perform functions of a trade repository, relations have been established with the following organizations:</p> <ol style="list-style-type: none"> 1) second-tier banks; 2) organizations engaged in brokerage and (or) dealer activities in the securities market; 3) organizations engaged in investment portfolio management activities; 4) insurance (reinsurance) organizations. <p>The documents to be transferred to or issued from trade repository are transmitted only by electronic means through the Reporting Agent's User Account system. Registration</p>

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		certificates issued by the National Certification Authority of the Republic of Kazakhstan are used to enter portal of the Central Securities Depository.
Principle 21. Efficiency and effectiveness An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.		
Key consideration 1. An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures	Complied	<p>To protect the interests and meet the needs of participants, structure of the Central Securities Depository provides for the following bodies:</p> <ol style="list-style-type: none"> 1) Board of Directors comprising seven members, three of whom are independent directors; 2) Committee on Strategy, Risks, Personnel, Remuneration and Social Affairs under the Board of Directors, consisting of seven members, three of whom are independent directors of the Central Securities Depository and one of the independent directors is the Chairman of this Committee at the same time. <p>In addition, the Central Securities Depository has an Advisory Council, which is a collegial advisory body of the Central Securities Depository, representing the interests of consumers of its services. Main task of the Advisory Council is to prepare and provide collective recommendations (opinions) of the Central Securities Depository's clients on issues initiated by members of the Advisory Council in accordance with its functions, as well as on issues referred (submitted) to the Advisory Council by the Board of Directors or Management Board. Functions of the Advisory Council include:</p> <ol style="list-style-type: none"> 1) assistance in development of the Code of Rules; 2) preliminary review of amendments and additions to the Code of Rules concerning interaction with clients in provision of services by the Central Securities Depository, procedure for registering transactions (operations) in financial instruments, as well as tariffs and fees of the Central Securities Depository; 3) preliminary review of issues related to introduction of new initiatives, products and services of the Central Securities Depository; 4) review of other issues related to relations between clients and the Central Securities Depository. <p>As a main development goal for 2022-2024, the Central Securities Depository has identified a formation of Central Securities Depository-based flexible ecosystem in the stock market, serving a wide range of outstanding financial assets and providing investors and other market participants with a wide range of services. Goals of the Central Securities Depository are reflected and updated in the development</p>

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<p>Key consideration 2. An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities</p>	Complied	<p>strategy, work plans and other documents of the Central Securities Depository. To assess realization degree of its goals, the Central Securities Depository generates relevant reports and information on a regular basis.</p> <p>Strategic goals and objectives of the Central Securities Depository, covering all types of the Central Securities Depository's activities, are determined by its development strategy, which is approved by the Board of Directors. All goals are measurable and achievable.</p> <p>To measure and evaluate efficiency of its activities, as well as the service quality, the Central Securities Depository has developed the Procedure for Assessing the Quality of Services provided by Central Securities Depository JSC, within the framework of which a client survey is conducted as well.</p> <p>To monitor the phased implementation of this strategy, the Central Securities Depository has developed a list of key development indicators (KPIs) and their target values.</p> <p>Achievement of target values of these indicators reflects indicatively the actual implementation of key strategic goals in main areas of the Central Securities Depository's development.</p>
<p>Key consideration 3. An FMI should have established mechanisms for the regular review of its efficiency and effectiveness</p>	Complied	<p>For the purpose of regular analysis of efficiency and effectiveness, the Central Securities Depository provides the Management Board and Board of Directors with reports on main work plan and other plans. At the same time, ARDFM provides reports on elimination of remarks identified by the National Bank based on the results of the Central Securities Depository's inspections, progress information provided for in the Roadmap for implementation of paragraph 4.2.4 Concept for Financial Technologies and Innovations Development in the Financial Market of the Republic of Kazakhstan in terms of development of the transaction registration infrastructure in the Central Securities Depository. In addition, the Central Securities Depository monitors implementation of projects.</p>

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<p>Principle 22. Communication procedures and standards An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</p>		
<p>Key consideration 1. An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards</p>	Complied	<p>SWIFT system is used for interaction with international and foreign financial institutions, as well as with banks in implementation of certain types of banking activities.</p> <p>An information receipt and delivery system provided by the operator of payment system is used in order to interact with participants in depository activities, as well as to interact with brokers in certain types of banking operations.</p> <p>To interact with international and foreign securities depositories and non-resident participants, international system for exchange of standardized documents and SWIFT messages is used in depository activities.</p>
<p>Principle 23. Disclosure of rules, key procedures, and market data An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</p>		
<p>Key consideration 1. An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed</p>	Complied	<p>Rules and procedures of the Central Securities Depository are defined by the legislation of the Republic of Kazakhstan, regulatory legal acts of authorized body, Code of Rules and other internal documents of the Central Securities Depository. These documents are publicly available and are posted on the Central Securities Depository's website and on other Internet resources.</p> <p>To enable securities market participants to understand and assess the risks associated with the Central Securities Depository, information on the risk management system, business continuity management, annual reports, financial statements and other information of the Central Securities Depository, which provides insight into the risks associated with the Central Securities Depository, is available on the Central Securities Depository's website.</p> <p>In addition, the Central Securities Depository provides explanations of its rules and procedures at the request of participants.</p>

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<p>Key consideration 2. An FMI should disclose clear descriptions of the system’s design and operations, as well as the FMI’s and participants’ rights and obligations, so that participants can assess the risks they would incur by participating in the FMI</p>	Complied	<p>The Code of Rules is a set of internal documents of the Central Securities Depository, developed in accordance with the legislation of the Republic of Kazakhstan and defining terms and procedure for activities of the Central Securities Depository in the financial market, and is available on the website of the Central Securities Depository.</p>
<p>Key consideration 3. An FMI should provide all necessary and appropriate documentation and training to facilitate participants’ understanding of the FMI’s rules and procedures and the risks they face from participating in the FMI</p>	Complied	<p>Rules and procedures of the Central Securities Depository are defined by the legislation of the Republic of Kazakhstan, regulatory legal acts of authorized body, Code of Rules and other internal documents of the Central Securities Depository. These documents are publicly available and are posted on the Central Securities Depository’s website and on other Internet resources.</p> <p>To enable securities market participants to understand and assess the risks associated with the Central Securities Depository, information on the risk management system, business continuity management, annual reports, financial statements and other information of the Central Securities Depository, which provides insight into the risks associated with the Central Securities Depository, is available on the Central Securities Depository's website.</p> <p>In addition, the Central Securities Depository provides explanations of its rules and procedures at the request of participants, and, if necessary, may conduct training (seminars/trainings), which contributes to understanding of the Central Securities Depository's rules and procedures by clients.</p>
<p>Key consideration 4. An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes</p>	Complied	<p>Tariffs for services provided by the Central Securities Depository are determined in accordance with the internal document of the Central Securities Depository "Regulation on Tariffs and Fees", which is part of the Code of Rules and contains the conditions and procedure for calculating tariffs and fees charged by the Central Securities Depository, including their rates (amounts). At the same time, this document defines the procedure and terms of payment of tariffs and fees, as well as responsibility for their non-payment (late or incomplete payment). The Regulation on Tariffs and Fees has been developed in accordance with the legislation of the Republic of Kazakhstan and is a publicly available document that is posted on the KCSD Internet resource.</p>
<p>Key consideration 5. An FMI should complete regularly and disclose publicly</p>	Complied	<p>The Central Securities Depository conducts a self-assessment once every two years and publishes its results in the form of a report on the Central Securities Depository's</p>

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<p>responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values</p>		<p>website. The Central Securities Depository publishes regularly an information on financial instruments (amount and volume), transactions, international identifiers assigned to securities and other financial instruments, bonds and equity units, as well as information on the values of securities for calculating total tariff, exchange repo transactions, unexecuted warrants and other statistical information on its website.</p>
<p>Principle 24. Disclosure of market data by trade repositories A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.</p>		
<p>Key consideration 1. A TR should provide data in line with regulatory and industry expectations to relevant authorities and the public, respectively, that is comprehensive and at a level of detail sufficient to enhance market transparency and support other public policy objectives</p>	<p>Complied</p>	<p>In compliance with the requirements of the Law of the Republic of Kazakhstan "On the Securities Market", the Central Securities Depository provides full access to trade repository's databases to the authorized body. For this purpose, the Central Securities Depository sends automatically information on all derivative transactions to the National Bank and ARDFM on a daily basis. Reporting agents are provided with access to data of the transaction registers system within the framework of information provided by them through web application on the Central Securities Depository's website. The Central Securities Depository's website contains internal documents regulating procedure for maintaining the transaction registers system by the Central Securities Depository.</p>

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<p>Key consideration 2. A TR should have effective processes and procedures to provide data to relevant authorities in a timely and appropriate manner to enable them to meet their respective regulatory mandates and legal responsibilities</p>	Complied	Information is sent from the derivative transactions register to the National Bank and ARDFM by electronic means in automatic mode on a daily basis.
<p>Key consideration 3. A TR should have robust information systems that provide accurate current and historical data. Data should be provided in a timely manner and in a format that permits it to be easily analysed</p>	Complied	<p>The Central Securities Depository sends all information from the derivative transactions register to the National Bank and ARDFM through the Financial Automated System of Information Transport (FASIT) program, which provides secure electronic information exchange between system's clients and electronic document flow.</p> <p>The Central Securities Depository has developed and handed over NBRK DFI AWS program to the National Bank, which allows receiving information about transactions, format and content of which were agreed previously with the National Bank.</p> <p>The Central Securities Depository uses the Oracle Enterprise Edition database management system as databases for storing information on transactions/operations in financial instruments and transfers to bank accounts. Key objects in databases are stored without abbreviations and have an audit trail in the form of archival records. Database operates in hot spare with two standby sites that are in different data centers. Currently, the project of transferring all data from information systems of the Central Securities Depository to the National Bank's data warehouse is nearing the final stage.</p>

V. LIST OF PUBLIC SOURCES

1. KCSD Internet resource (www.kcsd.kz).
2. National Bank Internet resource (www.nationalbank.kz).
3. ARDFM Internet resource (<https://www.gov.kz/memleket/entities/ardfm?lang=ru>).
4. Internet resource of the Ministry of Finance of the Republic of Kazakhstan (<https://www.gov.kz/memleket/entities/minfin?lang=ru>).
5. KASE Internet resource (www.kase.kz).
6. Internet resource of the Association of Financiers of Kazakhstan (www.afk.kz).
7. Internet resource of the Financial Reporting Depository (www.dfo.kz).