

CENTRAL SECURITIES DEPOSITORY JSC

REPORT **on anti-corruption activities carried out in** **2023**

The document has been translated into English for information purposes. In case of any incompliance of translation with the original version in Russian, the Russian version prevails.

Almaty

2024

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1. Notation (abbreviations) used in the report:

Anti-corruption policy - internal document of the Central Depository "Anti-corruption Policy", approved by the decision of the Board of Directors (absentee voting protocol dated November 16, 2022 No. 69 (z))

Rules No. 154 – Rules for the preparation, submission of the National Anti-Corruption Report to the President of the Republic of Kazakhstan and its publication, approved by Decree of the President of the Republic of Kazakhstan dated December 29, 2015 No. 154

Management Board - Management Board of the Central Securities Depository

Service - Compliance Control Service of the Central Securities Depository

Board of Directors - Board of Directors of the Central Securities Depository

Authorized body - Agency of the Republic of Kazakhstan for Combating Corruption (Anti-Corruption Service)

Central Securities Depository - Central Securities Depository JSC

2. Abstract

The report on anti-corruption activities in the Central Securities Depository for 2023 has been prepared in accordance with the requirements of Rules No. 154 and the Anti-Corruption Policy, structured in accordance with paragraph 3 of Rules No. 154.

During the reporting period, the Service conducted an internal analysis of corruption risks, thematic anti-corruption monitoring, analyzed information contained in the reports of the Internal Audit Service of the Central Securities Depository, appeals of individuals and legal entities, and publications in the mass media. Based on the results of these activities, no facts of corruption violations were identified in the activities of Central Securities Depository.

In order to form an anti-corruption culture in the Central Securities Depository, the Service conducted anti-corruption training for employees and officials of the Central Securities Depository, coordinated the process of filing income and property declarations of employees and officials of the Central Securities Depository as part of financial control.

3. Introduction

The report on anti-corruption activities in the Central Securities Depository for 2023 has been prepared in accordance with the requirements of Article 17 of the Law of the Republic of Kazakhstan “On Combating Corruption” dated November 18, 2015 No. 410-V and paragraph 2 of **Rules No. 154**.

According to paragraph 2 of Rules No.154, the Central Securities Depository, which is a subject of quasi-public sector, shall provide information to the authorized body before April 15 of the year following the reporting year, which shall contain:

- 1) data on the status and ongoing work in the field of anti-corruption;
- 2) results of internal analysis of corruption risks;
- 3) data on the implementation or non-implementation (reasons) of measures of the plans for the implementation of strategic and program documents, departmental and regional plans, plans of quasi-public sector entities on the issue of combating corruption;
- 4) analysis of the impact of external factors on the anti-corruption efforts and implementation of the planned activities in this area;
- 5) data on the extent to which the anti-corruption problems and tasks have been solved, the impact of this work on the reduction of corruption risks in the activities of the quasi-public sector entity, socio-economic development of the industry, region and other;
- 6) conclusions and proposals on the formation, implementation and improvement of anti-corruption policy, amendments to the current legislation, including proposals to adjust action plans for the implementation of strategic and program documents;
- 7) annexes (as necessary).

Based on information provided by state bodies, local executive bodies, quasi-public sector entities, individuals and legal entities, as well as the results of the work of the authorized body, analysis and assessment of the state and trends in the spread of corruption at the international and national levels, the authorized body prepares a national report for the President of the Republic of Kazakhstan.

After consideration by the President of the Republic of Kazakhstan, if the said report is approved, the conclusions and proposals form the basis for further improvement of the anti-corruption policy of the country.

4. Information on the status and work carried out in the field of combating corruption

The Central Securities Depository has an anti-corruption compliance service, which exercises its powers independently from the Management Board, reports to the Board of Directors and is independent in ensuring compliance with the requirements of the anti-corruption legislation of the Republic of Kazakhstan. By decision of the Board of Directors (minutes of absentee voting dated April 01, 2021 No. 21 (h)) The Service is defined as an anti-corruption compliance service, which performs functions to ensure compliance with the requirements of the legislation of the Republic of Kazakhstan on combating corruption, including the development of documents and implementation of anti-corruption measures.

By the decision of the Board of Directors (absentee voting protocol No. 69 (h) dated November 16, 2022) the internal document "Anti-corruption Policy" was approved, which defines the main approaches to anti-corruption, as well as managerial and organizational measures to prevent corruption offenses in the Central Securities Depository.

The Central Securities Depository has organized and operates a system of anti-corruption measures, within the framework of which in the reporting period:

- 1) thematic anti-corruption monitoring and internal analysis of corruption risks of the Central Securities Depository's activities were carried out;
- 2) financial control measures were taken by ensuring submission of declaration on income and property of employees and officials of the Central Securities Depository according to the requirements of the legislation of the Republic of Kazakhstan;
- 3) conflicts of interest were monitored;
- 4) anti-corruption culture was observed;
- 5) monthly, quarterly and annual reports on anti-corruption measures taken were sent to the National Bank of the Republic of Kazakhstan for inclusion in the consolidated statements submitted to the authorized body, according to the letter of the National Bank of the Republic of Kazakhstan dated February 28, 2022 ref. No. 16-0-18/45, letter from the Anti-Corruption Agency of the Republic of Kazakhstan dated July 12, 2022, ref. No. 2-3-6/6236-I, Rules No. 154;
- 6) measures were taken to prevent corruption in the Central Securities Depository, including the following:
 - examination of internal documents of the Central Securities Depository and their drafts, draft contracts for procurement of goods, works and services;
 - inspection of suppliers of goods, works and services for special relations;
 - monitoring of channels of informing about facts of violation of the legislation of the Republic of Kazakhstan on combating corruption.

5. Results of the internal analysis of corruption risks of the Central Securities Depository

The internal analysis of corruption risks was conducted in accordance with the requirements of the Anti-Corruption Policy, Model Rules for Conducting Internal Analysis of Corruption Risks approved by the order of the Chairman of the Agency of the Republic of Kazakhstan for Civil Service and Anti-Corruption dated October 19, 2016 № 12. The internal analysis of corruption risks is provided by the compliance program, the area and objects of the analysis were the work with depositors of the Central Securities Depository within the framework of depository activities and structural units involved in these activities, the audited period - 2023.

During the internal analysis of corruption risks, actual or possible manifestations of corruption in the activities of subdivisions for the audited period were not identified. The analytical note on the analysis is attached to this report.

6. Information on fulfillment of measures and plans of the Central Securities Depository on the issue of combating corruption

In the analytical note of the internal analysis of corruption risks of the Central Securities Depository on procurement of goods, works and services and in the report of the Service on the work carried out to combat corruption for the year preceding the reporting year, recommendations were given to reduce the factors contributing to corruption. The status of implementation of these recommendations is shown below.

1. Training events were held for the employees of the Central Securities Depository in order to form an anti-corruption culture.
2. Amendments were made to the Instruction on Budget Preparation, Execution and Monitoring of Budget Execution approved by the decision of the Management Board (Minutes of the meeting dated November 30, 2023 No. 48).
3. Thematic anti-corruption monitoring and internal analysis of corruption risks in the activities of the Central Securities Depository were carried out.
4. The Rules for Internal Corruption Risk Analysis approved by the Management Board's decision (Minutes of the meeting No. 5 dated February 15, 2024) were updated.

7. Analyzing the impact of external factors on the ongoing work on anti-corruption efforts and implementation of planned measures in this area

The analysis of the impact of external factors on the anti-corruption efforts is carried out by collecting and studying information that provides insight into actual or possible manifestations of corruption in the activities of the Central Securities Depository. For the purposes of analyzing the impact of external factors on the anti-corruption efforts, the Service analyzed the information contained in:

- 1) reports of the Internal Audit Service;
- 2) reports (opinions) based on the results of external audits of the Central Securities Depository's activities;
- 3) complaints and appeals from clients of Central Securities Depository, representatives of clients of Central Securities Depository, other individuals and legal entities;
- 4) publications in the media;
- 5) reports on facts of violation of the legislation of the Republic of Kazakhstan on combating corruption in the Central Securities Depository, on potential possibility of violation of this legislation received from employees of the Central Securities Depository, and reports of other persons on facts of corruption among officials and employees of the Central Securities Depository, violations by them of norms of the legislation of the Republic of Kazakhstan and internal documents of the Central Securities Depository.

In accordance with Article 7.4 of the Anti-Corruption Policy, the results of the monitoring shall be formalized in the form of an analytical report on the results of anti-corruption monitoring (thematic anti-corruption monitoring), which is attached to this report.

8. Information on the extent to which anti-corruption issues and tasks have been addressed, and the impact of this work on reducing corruption risks in the activities of the Central Securities Depository

The decision of the Board of Directors approved the Anti-Corruption Policy, which defines the main principles and measures to combat corruption in the Central Securities Depository, and updated the Rules for Conducting Internal Analysis of Corruption Risks.

In order to form an anti-corruption culture in the Central Securities Depository, the Service trained employees on the requirements of the legislation of the Republic of Kazakhstan on combating corruption, as well as on the rules and procedure for filing income and property declarations.

9. Conclusions and proposals on the formation, implementation and improvement of anti-corruption policy, amendments to legislation, including proposals to adjust action plans for the implementation of strategic and program documents

There are no proposals on formation, implementation and improvement of anti-corruption policy, amendments to the legislation of the Republic of Kazakhstan, including proposals on adjustment of action plans on implementation of strategic and program documents of the Central Securities Depository.

Conclusion: the Central Securities Depository complies with the requirements stipulated by the Anti-Corruption Policy and the current legislation of the Republic of Kazakhstan.

Chairman of the Management Board
Central Securities Depository JSC

Mukhamedjanov A.N.

Annex 1

to the report on the work carried out Anti-Corruption Efforts in 2023

ANALYTICAL REPORT

**based on the results of internal analysis of corruption risks in the activity of the
Depository Activity Unit of Central Securities Depository JSC**

Used abbreviations and conventional (abbreviated) designations:

Instruction on procedure of input and change of information - Instruction on procedure of input and change of information in the accounting system, approved by the decision of the Board of the Central Securities Depository (minutes of the meeting dated 02 November 2021 No. 36)

Instruction on order execution procedure - Instruction on order execution procedure for entering financial instruments issued in accordance with the legislation of states other than the Republic of Kazakhstan into nominal holding and withdrawal of financial instruments issued in accordance with the legislation of states other than the Republic of Kazakhstan from nominal holding, approved by the decision of the Management Board of the Central Securities Depository (minutes of the meeting dated 02 November 2021 No. 36)

DD - Depository Division of the Central Securities Depository

Rules of Personal Support - Rules of Provision of Personal Support Service of the Depositor, approved by the decision of the Management Board of the Central Securities Depository (minutes of the meeting dated 02 May 2023 No. 22)

CCS - Compliance Control Service

Central Securities Depository - Central Securities Depository JSC

Inspection period: 23 January - 20 February 2024.

Inspection period: 01 January - 31 December 2023.

Audited units: DD

Information on identified corruption offences

The CCS reviewed internal documents regulating the depository activities of the Central Securities Depository and the activities of the DD, as well as job descriptions of the DD employees. Based on the results of the analysis, the following was found.

In the course of internal analysis of corruption risks, no actual or possible manifestations of corruption were identified in the activities of the DD during the audited period.

However, based on the results of the review of internal regulatory documents and processes, the following findings were identified that may contribute to the occurrence of corruption offences.

1. Clause 29 of the Instruction on the Order Execution Procedure regulates that upon receipt of a letter of cancellation of a client's order and in case the Central Securities Depository sends the order to the accounting organisation, the employees of the DD perform certain actions. However, such actions are not regulated by analogy with the rules of actions

defined in paragraph 26 of the above Instruction, and the levels of employees of the DD who have the right to perform such actions are not determined.

2. According to paragraphs 51 and 52 of the Instruction on the procedure of input and change of information, letters on identified discrepancies for the accounting organisation may be signed by both the head of the Central Securities Depository, on the basis of the available power of attorney, and the Chairman of the Management Board of the Central Securities Depository. Thus, there is a provision according to which the information on identified discrepancies for the accounting organisation may not be communicated to the Management Board of the Central Securities Depository.
3. Clause 4, Article 6, paragraph 4 of the Rules of personal support provides for the grounds for refusal to provide personal support services on other motivated grounds, and paragraph 3, Article 5, paragraph 3 of the said Rules regulates that in case of refusal to provide personal support services, the DD shall send a notice to the depositor on such refusal with indication of the reason for the refusal. Thus, the mentioned Rules allow for the possibility of refusal of a depositor on an undefined reason not agreed with the Chairman of the Management Board/Deputy Chairman of the Management Board of the Central Securities Depository. In addition, the positions of employees entitled to refuse to provide services to a depositor are not specifically defined, and therefore, the decision may be made without the participation of the Head of DD and/or Chairman of the Management Board/Deputy Chairman of the Management Board of the Central Securities Depository.

Recommendations on eliminating the identified corruption risks

Due to the absence of corruption offences there are no recommendations.

In order to minimise and mitigate the risks of identified findings that may contribute to corruption violations, it is recommended to develop the following amendments to the internal regulatory documents of the Central Securities Depository:

- 1) the Instruction on the Procedure for Execution of Orders should regulate the procedure for sending requests to the accounting organisation in terms of determining the positions of employees and the need to coordinate the requests with the head of DD;
- 2) the Instruction on the procedure for entering and amending information should exclude the possibility of signing letters on identified discrepancies for the accounting organisation by the head of DD on the basis of the existing power of attorney, without coordinating such letters with the member of the Management Board in charge of DD;
- 3) the Rules of personal support shall provide for the procedure of decision-making on refusal to provide personal support service by a member of the Management Board, supervising DD, or by an employee of DD who takes such a decision, specifying his/her position, as well as the procedure of sending a notice to the depositor on refusal to provide personal support service.

Timeframe for implementation of recommendations to eliminate identified corruption risks

All CCS recommendations specified in this analytical report shall be implemented no later than 01 December 2024.

The list of positions exposed to corruption risks, which were identified based on the results of the internal corruption risk analysis, is attached to this analytical report.

Agreed:

Head of DD

Pinchuk G.G.

Chairman of the Management Board
Central Securities Depository JSC

Mukhamejanov A.N.

"____" of March, 2024

List of positions exposed to corruption risks identified based on the results of internal corruption risk analyses

Name of the division: Depositary Division

Position exposed to corruption risk	Official powers containing corruption risks	Corruption risks	Level of corruption risks
Deputy Chairman of the Management Board (supervising DD)	Supervising and coordinating the work of the DD and other functions arising from the work of the DD	risks of possible abuse of authority related to the position held	high
Head of DD	1) entering into relationships with external institutions and/or organisations to solve operational issues of production activities within the competence of the DD; 2) setting tasks that require mandatory fulfilment by subordinate employees, on the range of issues within their competence.	risks of possible abuse of authority related to the position held	medium

JSC CENTRAL SECURITIES DEPOSITORY

Approved
 Chairman of the Management Board
 Central Securities Depository JSC
 _____ Mukhamejanov
 A.N.
 ___ of March, 2024

P L A N

**measures to eliminate the causes and conditions contributing to the commission of corruption offences,
 identified based on the results of internal analysis of corruption risks in the Depository Division**

№ p/p	Detections and recommendations	Deadline ¹	Form of Completion	Performer/s
A	1	2	3	4
1	Develop amendments to internal documents: 1) Instruction on the procedure of execution of orders for entering financial instruments issued in accordance with the legislation of states other than the Republic of Kazakhstan into nominal holding and withdrawal of financial instruments issued in accordance with the legislation of states other than the Republic of Kazakhstan from nominal holding; 2) Instruction on the procedure of entering and changing information in the accounting system; 3) Rules for provision of personal support service to the depositor.	01.12.2024	Amendments to internal documents: 1) Instruction on the procedure of execution of orders for entering financial instruments issued in accordance with the legislation of states other than the Republic of Kazakhstan into nominal holding and withdrawal of financial instruments issued in accordance with the in accordance with the legislation of states other than the Republic of Kazakhstan into nominal holding and withdrawal of financial instruments issued in accordance with the legislation of states other than the Republic of Kazakhstan from nominal holding; 2) Instruction on the procedure of entering and changing information in the accounting system; 3) Rules for provision of personal support service to the depositor.	DD Supervisor: Medeu Ye.A.

¹ Date by which the performance of the work must be completed.

Abbreviations, acronyms and symbols used:

DD– Depository Division

Management Board - Management Board of Central Securities Depository JSC

Chairman of the Management Board

Mukhamejanov A.N.

Annex 2

to the report on the work carried out
anti-corruption efforts in 2023

Analytical report on the results of anti-corruption monitoring

Thematic anti-corruption monitoring

1. Introductory part

Name of the sphere of activity: activities of Central Securities Depository JSC.

Structural unit responsible for anti-corruption monitoring: Compliance Control Service of the Central Securities Depository.

Period of anti-corruption monitoring: 01 January - 31 December 2023.

2. Information and analytical part

In order to analyse the impact of external factors on anti-corruption efforts, the Compliance Control Service analysed the following information.

1. Information contained in reports (opinions) based on the results of audits of the Central Securities Depository's activities conducted by the Internal Audit Service of the Central Securities Depository.

In 2023 the Internal Audit Service conducted 18 inspections, according to the results of which no signs of actual or possible corruption in the activities of the Central Securities Depository were revealed.

2. Information contained in reports (conclusions) based on the results of external audits of the Central Securities Depository's activities.

In 2023 the Central Securities Depository received 11 enquiries from the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market on conducted inspections on appeals of individuals and legal entities. Information on signs of actual or possible manifestation of corruption in the activity of the Central Securities Depository was not revealed in these enquiries;

3. Information contained in appeals of legal entities and individuals.

In 2023 the Central Securities Depository received 60 appeals of legal entities and individuals. According to the results of consideration, facts of abuse or corruption in actions of officials and employees of the Central Securities Depository were not identified.

4. Information published in mass media.

In 2023, 35 publications mentioning Central Securities Depository were published in mass media and social networks. The publications did not contain negative topics regarding corruption offences and their manifestations in the actions of officials and employees of the Central Securities Depository.

5. Information contained in the reports received by the Compliance Control Service from: employees of the Central Securities Depository on facts of violation of the legislation of the

Republic of Kazakhstan on combating corruption in the Central Securities Depository, on potential possibility of violation of this legislation; other persons on facts of corruption among officials and employees of the Central Securities Depository, violations by them of the legislation of the Republic of Kazakhstan and internal documents of the Central Securities Depository.

In the reporting period the facts of committing corruption offences by employees and officials of Central Securities Depository were not established, there were no court proceedings on such facts.

3. Concluding part

Based on the results of anti-corruption monitoring in the reporting period, no facts of corruption violations were identified in the activities of the Central Securities Depository

Chief Compliance Officer of
Central Securities Depository JSC

Sarsembayeva I.S.

" ____ " of March, 2024