

CENTRAL SECURITIES DEPOSITORY JSC

PRESS RELEASE

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Thomas Murray Confirms the Central Securities Depository Rating as 'A' for the Central Securities Depository of the Republic of Kazakhstan (KACD) and has Assigned a 'Positive' outlook to the Rating

LONDON - Thomas Murray, the specialist custody rating, risk management and research firm is pleased to announce the issue of a Public Depository Rating for The Central Securities Depository of the Republic of Kazakhstan (KACD) as 'A', being a low Overall Risk rating made up of the following components:

CSD Rating	Overall Rating	Asset Commitment Risk	Liquidity Risk	Counterparty Risk	Financial Risk	Operational Risk	Asset Servicing Risk
KACD Rating:	A	AA	A-	A	A	A	AA-

The Central Securities Depository of the Republic of Kazakhstan is the sole depository in Kazakhstan for equities, fixed income and money market securities which include securities issued by the Ministry of Finance, the National Bank of Kazakhstan and local municipal bodies. The deposit of securities in KACD is compulsory for securities traded on Kazakhstan Stock Exchange (KASE). KACD is a joint stock company. It has a sound ownership structure with ownership dispersed between the National Bank of Kazakhstan, as majority owner and market participants such as banks, brokers and the Kazakhstan Stock Exchange. KACD is regulated by the National Bank of Kazakhstan. Governance arrangements are sound with a nine-member Board that includes three independent directors. In addition, there are Board committees in operation that include both Audit and Strategy Committees.

KACD's rating of 'A' relates to a low risk exposure profile and a 'Positive' outlook has been assigned by Thomas Murray. The outlook indicates that the rating of 'A' for Overall Risk is close to being upgraded. In this respect it is recognised that KACD has a number of projects in progress that should help to mitigate risk further once they have been successfully implemented this year. These include arranging insurance cover of KZT 250 million (USD 1.6 million), establishing a second internal audit position with IT audit expertise, establishing

a paying agency service for non-government securities and establishing a User Group for all participants.

Overall, KACD has sound clearing and settlement processes with all securities being able to be settled on a BIS Model 1 basis at any time during the day once cash is available. However a T+0 pre-funding model is not conducive to attracting foreign investors and as a result both KACD and KASE are considering introducing T+n settlement. About a third of trades are settled on an OTC basis where settlement is almost in real-time. KACD supports active repo and reverse repo markets where both banks and brokers can obtain cash and securities liquidity.

KACD follows sound financial practices and has consistently been profitable over the past five years. Its revenues have mainly come from custody fees and have helped boost retained earnings, which is the largest component of KACD's KZT 1.87 billion (USD 12.4 million) capital.

From an operational perspective, KACD has established procedures in place that are reviewed periodically and has established a Risk Manager with responsibility for the risk management process, controls and compliance. However, these arrangements are not supported by a thorough audit program as internal audit resources only consist of a single internal auditor and external operational audits are only undertaken every three years. KACD has well-equipped Disaster Recovery and Business Continuity facilities that were recently improved by the development of a new site in April 2012.

Asset Servicing mainly relates to interest payments for government bonds and there is considerable manual processing. Sound custody arrangements are adopted with the availability of a segregated account structure, securities are all dematerialised and legal conventions are supportive in terms of providing protection to the beneficial owner.

Simon Thomas, CEO and Chief Ratings Officer of Thomas Murray, said "*Thomas Murray is delighted to be able to undertake the public rating of the Central Securities Depository of the Republic of Kazakhstan and recognises the considerable efforts that are being made by its Board and management to improve risk management practices. KACD provides a good example to depositories in developing countries that recognise the importance of having sound and low-risk infrastructure as a pre-requisite in the development of their capital market*".

Bakhytzhan Kapyshev, President of the Central Securities Depository of the Republic of Kazakhstan, said "*KACD is pleased to have worked closely with Thomas Murray initially through undertaking a gap analysis study and subsequently by receiving a Central Securities Depository public rating. We have found the processes to be extremely valuable in helping us to identify the areas on which to focus our risk management efforts. We remain dedicated to the process to mitigate risk and recognise the importance to develop our infrastructure to achieve a best practice position in the global marketplace*".

The Central Securities Depository rating assesses the performance of the CSD to mitigate risk in its activities of safekeeping and the clearing and settlement of securities, where applicable. It assesses six key risks. The methodology considers the capabilities of the depository and the quality and effectiveness of its operational infrastructure. It also assesses the depository's willingness and ability to protect its participants or clients from losses. As part of the rating, the scope and quality of the depository's services is assessed. The ratings are on a consistent

global scale, using the familiar AAA to C ratings scale. Once the rating is assigned there is an ongoing surveillance process to monitor the depository.

Separately, Thomas Murray maintains proprietary assessments of over 130 CSDs globally as part of the Thomas Murray Depository Risk Assessment services. These reports are available via Thomas Murray at www.thomasmurray.com.

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A About Thomas Murray

Thomas Murray is a specialist custody rating, risk management and research firm specialising in the global securities services industry. Thomas Murray was established in 1994. The company tracks and analyses over 250 custodians globally and monitors the risk of over 100 capital market infrastructures. The company has a strong position as a provider of public and private ratings and risk assessments on global custodians, domestic custodian banks and capital market infrastructures.

www.thomasmurray.com

B About Central Securities Depository of Republic of Kazakhstan

The Central Securities Depository of the Republic of Kazakhstan (KACD) commenced operations in September 1997 as a closed joint stock company. It is a not-for-profit organization founded by professional securities market participants. The majority owner of KACD is the National Bank of Kazakhstan. KACD is the sole clearing house and depository for all securities issued in Kazakhstan.

www.kacd.kz