SY INVESTMENT COMPANY JSC

Kazakhstan Market Access Guide

A Practical Guide for Foreign Institutional Investors: Account Structures, Trading, Settlement and Broker Facilitation on the Kazakhstan Stock Exchange (KASE)

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1. Purpose of this Guide

This Guide explains how foreign institutional investors can access the Kazakhstan equity market through SY Investment Company JSC (“SY Investment”), a licensed broker-dealer regulated by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (ARDFM) and a member of the Kazakhstan Stock Exchange (KASE).

It covers the two account structures available to foreign investors, the trading and settlement mechanics of KASE, the treatment of failed trades, and the pre-funded execution (riskless principal) facility that SY Investment offers to clients whose mandates or custody arrangements do not permit direct nominee holding with a local Kazakhstani broker.

2. Market at a Glance

Item	Detail
Exchange	Kazakhstan Stock Exchange (KASE), Almaty; trading in ASTS+ trading and clearing system
Regulator	ARDFM (Agency for Regulation and Development of Financial Market)
Central Securities Depository	Central Securities Depository JSC (CSD / KACD) — settlement and nominee holding records for all on- and off-exchange trades
Central Counterparty	KASE Clearing Centre JSC — CCP for the main order-driven equity market
Settlement cycle	T+2 DVP (net, with CCP) for the main equity board; T+0 / T+n gross DVP for negotiated (direct) and OTC trades via the CSD
Trading currency	KZT (tenge); selected instruments on KASE Global trade in USD
Pre-funding	Local practice is effectively pre-funded: securities/cash (or clearing collateral) must be in place for settlement

3. Account Structure Options

Option A — Direct nominee account with SY Investment

The investor opens a brokerage account with SY Investment. Securities are held in nominee (street-name) form on SY Investment’s omnibus account at the Central Securities Depository, segregated at sub-account level. This is the simplest and fastest route: single onboarding, direct order flow, no local custodian required.

Many institutional mandates, however, prohibit holding assets in nominee form with a local frontier-market broker. For those investors, Option B applies.

Option B — Global custodian / local sub-custodian model

The investor keeps its existing account with a global custodian. The global custodian, in turn, maintains an account with a local sub-custodian bank in Kazakhstan, which holds the client’s securities at the Central Securities Depository. The chain is:

Investor → Global Custodian → Local Sub-Custodian (Kazakhstan) → Central Securities Depository

The client trades through SY Investment's principal execution model described in Section 6: SY Investment executes on the exchange on its own account and sells to the client at a net price, with DVP settlement at the Central Securities Depository against matching instructions from the client's custody chain. Assets never leave the custody chain; no broker access to the client's custody account and no exchange-side appointments are required.

4. Trading and Settlement Mechanics

Main equity board: continuous order-driven trading with the KASE Clearing Centre acting as central counterparty. Trades settle T+2 on a net DVP basis; cash legs settle through the Clearing Centre and securities legs through the Central Securities Depository.

Negotiated (direct) trades: KASE also operates a negotiated-deal mode in which two members conclude a bilateral trade at an agreed price. These trades can settle gross T+0 to T+n via the CSD and are the standard mechanism for crossing a position between a broker's proprietary account and a client's custody account (see Section 6).

Execution formats

Clients may specify the following execution formats (the format defines how the average gross price behind the net price in Section 6 is achieved):

- **Market / Limit** — execution at the prevailing market or bound by a specified price or better.
- **VWAP / VWAP with limit** — algorithmic execution targeting the volume-weighted average price over the agreed interval, optionally capped by a limit price.
- **POV / POV with limit** — participation-of-volume execution at an agreed percentage of market turnover, optionally capped by a limit price.

Important disclosure: the KASE trading system does not provide native algorithmic execution. VWAP and POV orders are worked manually by SY Investment's trading desk, which replicates the respective strategy on a best-efforts basis — slicing the order and pacing execution against observed market volume. Accordingly, the achieved price is not guaranteed to match the exchange-calculated VWAP or an exact participation rate; these order types define the execution methodology, not a price warranty.

VWAP and POV strategies are designed for larger orders where minimising market impact matters: the order is worked gradually rather than moving the price in one print. The resulting average gross execution price forms the basis for the net settlement price described in Section 6.

Settlement flow (Option B)

- Execution and settlement for custody-chain clients follow the principal model in Section 6: trade confirmation with the net price → the client instructs its global custodian → instructions pass down the chain to the local sub-custodian → DVP settlement at the CSD against SY Investment's matching instruction on the individually agreed date.

5. Failed Trades: The Core Risk in the Custody Model

The custody model has one structural weak point: settlement depends on a timely SWIFT/instruction match across the whole chain (investor → global custodian → local sub-custodian) within the T+2 window. If the custodian declines or fails to confirm the trade in time — because of a late instruction, a data mismatch, or a cut-off miss — the trade cannot settle on the client's account.

Consequences under KASE rules:

- If the custodian does not accept the trade for settlement, responsibility for the trade falls back on the executing broker, which must settle it on its own trading-clearing account.
- A clearing participant that fails to meet its obligations is treated as a defaulting participant: the Clearing Centre applies default-management procedures (position transfer or liquidation) and charges penalty fees and clearing charges to the defaulting side.
- A failed client trade also requires the broker to re-book the transaction — a new client order ticket and a replacement trade — adding operational risk and potential price slippage for the client.

In short: direct on-exchange execution to a custody-chain account is not practicable — the confirmation and T+2 windows cannot be met across the chain, and a fail triggers penalties and re-execution risk. This is precisely why SY Investment executes for custody-chain clients as principal (Section 6), absorbing the exchange-side settlement risk entirely.

6. Broker Facilitation: Principal Execution at a Net Price

6.1 Purchases — worked execution at a net price (principal)

For clients operating through the global custody chain, SY Investment executes purchases as principal at a net price — the standard model on pre-funded frontier markets:

- **Step 1 — Client request.** The client communicates the security, size and execution format (at-market, limit-bound or benchmark-linked — see Section 4) via Bloomberg, telephone or email; communication records evidence the terms.
- **Step 2 — Worked execution.** SY Investment's trading desk works the size on the KASE main board over the session on its own account and at its own settlement risk. The resulting average gross execution price, adjusted for the level disclosed in the client agreement, produces the net price.
- **Step 3 — Confirmation = trade.** SY Investment sends a trade confirmation stating the average gross execution price and the net price; the client's confirmation constitutes a principal purchase from SY Investment at the net price, binding on both parties. The trade settles DVP against the client's custody account through the Central Securities Depository on a date agreed individually per trade (typically T+2 to T+3), stated in the confirmation.

Benefits for the client:

- No exposure to KASE settlement discipline, clearing penalties or default procedures — these sit with SY Investment.
- One clean, pre-matched DVP settlement per trade — no re-booked tickets or replacement trades.
- The settlement date is agreed with regard to the client's custody chain and payment lead times, rather than against the exchange's fixed T+2 cut-off.
- Full price transparency: every trade confirmation shows both the market execution reference (gross) and the net settlement price; SY Investment's remuneration is embedded in the net price at the level disclosed in the client agreement.

6.2 Sales — principal bid (block facilitation)

Sales are structurally different. Short selling is not available on the KASE spot market, so SY Investment cannot pre-sell securities it does not yet hold. Instead, SY Investment facilitates client sales as principal:

- **Step 1 — Principal bid.** Upon a client's sale enquiry, SY Investment may, at its discretion, provide a firm bid, decline to bid, or arrange third-party interest in the block. In practice SY Investment will normally provide a bid, though not necessarily for the full size: it may bid for a portion of the block, with the remainder executed in subsequent tranches or worked separately by agreement. The bid is determined by reference to prevailing market prices and adjusted for order size, liquidity of the security and the expected disposal horizon. For liquid sizes the bid is at or near the market; for larger or less liquid blocks it reflects a disclosed liquidity discount.

- **Step 2 — Client acceptance and direct trade.** Upon the client's acceptance of the quote, SY Investment sends a trade confirmation stating the gross (accepted bid) price and the net settlement price, and the securities are transferred from the client's custody account to SY Investment as a principal trade at the net price, settling DVP through the Central Securities Depository on the agreed date. No separate commission is charged.
- **Step 3 — Disposal.** SY Investment holds the position on its own book and disposes of it on the main board at its own risk. Any subsequent market movement — favourable or adverse — is for SY Investment's account.

The client receives certainty of execution at an accepted price with a single DVP settlement, without market, timing or settlement-discipline risk. SY Investment may, at its discretion, propose executing large orders in tranches or decline facilitation for a given size.

6.3 Settlement deadlines, carrying costs and unwind rights

Because SY Investment commits its own capital and balance sheet in both directions, facilitation is subject to instruction deadlines agreed at onboarding and restated in each trade confirmation:

- **Purchases.** The client must ensure that custody instructions are in place and the trade settles within the agreed window (as standard, up to five business days after trade confirmation, unless agreed otherwise). Beyond the deadline, SY Investment may apply a carrying charge reflecting the cost of funding the position, and — after written notice — may unwind the position by selling on the market. Any resulting shortfall versus the net price, together with transaction costs, is for the client's account; the confirmed trade is binding on the client from the moment of confirmation.
- **Sales.** The principal bid is quoted on the basis that the trade settles on the agreed date. If delivery fails because the client's custody instructions are not in place, the quote lapses and SY Investment is under no obligation to renew it. Any costs or penalties arising from the failed settlement are for the client's account. Market risk transfers to SY Investment only upon actual settlement of the trade.

These provisions are set out in full in the Facilitation Annex to the brokerage agreement and are designed to keep the facility sustainable: SY Investment absorbs market and exchange settlement risk, while the client remains responsible for the timeliness of its own custody chain.

7. Currency Considerations

KASE equities settle in tenge (KZT). Foreign investors fund settlement either through the local sub-custodian's FX desk or via SY Investment. Currency conversion for non-residents is carried out under Kazakhstan's currency regulations; where required, a currency contract underlies the conversion and cross-border transfer. SY Investment's operations team provides the documentation templates and coordinates cut-offs with the custodian.

8. Onboarding Checklist (Option B)

- Executed brokerage / execution agreement with SY Investment.
- Confirmation from the global custodian of the local sub-custodian relationship in Kazakhstan.

- Standing settlement instructions (SSI) exchange and pre-matching test.
- KYC package: constitutional documents, ownership structure, regulatory status, authorised signatories (apostilled where applicable).
- Agreed communication protocol for trade confirmations and settlement cut-offs.

Typical onboarding time is two to four weeks, driven mainly by the custodian documentation cycle.

9. Important Notice

This Guide is provided for information purposes only and does not constitute investment advice, an offer or a solicitation. Market rules referenced herein (KASE, KASE Clearing Centre, Central Securities Depository) are subject to change; the applicable exchange and depository rules prevail in the event of any inconsistency. Client relationships are governed exclusively by the brokerage services agreement, the Company's regulations and annexes thereto; in case of any discrepancy between this Guide and those documents, the contractual documents and the legislation of the Republic of Kazakhstan prevail. Investors should obtain independent legal and tax advice before trading. SY Investment Company JSC is licensed and regulated by the ARDFM.

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