

AIX Market Maker Registration and Supervision Procedures

Astana, Kazakhstan

Market Maker Registration and Supervision Procedures

Contents

1	PURPOSE	4
2	SCOPE	4
3	REGISTRATION OF MARKET MAKERS	4
4	SUPERVISION AND ENFORCEMENT OF MARKET MAKER ARRANGEMENTS	6
	Annex 1	8
	Annex 2	9

GLOSSARY

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

1 PURPOSE

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

2 SCOPE

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

3 REGISTRATION OF MARKET MAKERS

3.1 Eligibility Criteria

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

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

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

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

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

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

A Market Maker shall at all times:

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

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

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

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

(v) comply with each ongoing obligation requirement that specified in the AIX Business Rules, AIX CSD

Business Rules and the MMA.

3.1.3 The Market Maker shall use for its Market Maker Activities only a Market Maker Account. Only Admitted Securities specifically approved for Market Making Activities of such Market Maker ("Market Instrument") could be transferred to the Market Maker Account. Transfers of Market Instruments out of the Market Maker Account are only permitted to the Market Maker's House account where:

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

For the purposes of this application, "negative net balance of an account" shall mean an account balance where the amount of instruments transferred out of the Market Maker Account to the House Account exceeds the amount of instruments transferred to the Market Maker Account from the House Account.

3.2 Assessment and Registration

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

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

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

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

- (i) R&C's review of the application form;
- (ii) Legal's sign-off in respect of the MMA or amendment thereto, subject to clause 3.3 hereof.

3.2.4 Provided that all the documents and information required under these procedures are complete and received on time, AIX would generally expect to process an initial application within 10 Business Days and follow-on application for additional Market Instruments within 5 Business Days (based on standard MMA). AIX

may request a Trading Member to provide further information, documents and/or clarifications to establish whether the Trading Member satisfies the requirements hereunder.

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

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

3.3 MMA with AIX

3.3.1 Pursuant to AIFC AMI Rule 3.1.4(a), all Trading Members pursuing a Market Making arrangements by using AIX' facilities must have written agreements with AIX. This can be done through the appointment of one or more Market Makers in a respective Market Instrument, in agreement between (i) AIX, the Market Maker and the Issuer or (ii) AIX and the Market Maker; in each case subject to requirements of the AIFC AMI Rules, AIX Business Rules and these Procedures (and Annexes hereto).

3.3.2 MOD will coordinate obtaining sign-offs in respect of a draft MMA between respective stakeholders.

3.3.3 In case of the appointment of a Market Maker in agreement between AIX, the Market Maker and the Issuer, either the Market Maker and/or the Issuer may request provision by AIX of the MM statistics on monthly basis, subject to payment of a fee as determined in the relevant MMA.

4 SUPERVISION AND ENFORCEMENT OF MARKET MAKER ARRANGEMENTS

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

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

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

(iii) If a Market Maker fails to separate its Market Maker activities from its other trading activities, including identifying itself as a Market Maker by using provided Market Maker User and specifying Market Making in the account field when entering an Order in the Trading System, AIX may determine the Market Maker to be liable to pay a fine of up to USD500 per breach and/or AIX may de-register a Market Maker in respect of one or more Market Instruments for which it is registered as such;

(iv) If a Market Maker fails to comply with special regime of the Market Maker Account as set out in clause 3.1.3 hereof, AIX may require the Market Maker to transfer respective Market Instruments (corresponding to

the “negative net balance of an account”) back to the Market Maker Account within prescribed period and/or AIX may determine the Market Maker to be liable to pay a fine of up to 2bp of the “negative net balance of an account” and/or AIX may de-register a Market Maker in respect of one or more Market Instruments for which it is registered as such;

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

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

Annex 1

Checklist of Application Documents for AIX Market Makers

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

For the Applicant to complete:

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

¹ Not required in case of follow-on application for registration as Market Maker in additional Market Instruments

Market Making Parameters

Please note, the market maker obligations under the MMA with AIX and/or Issuer must satisfy, but not limited to the stated obligations.

Obligations:

- Enter 2-way prices within the applicable min quote size (depends on the security)
- Max spreads varies from 1% to 5%
- Maintain Executable quotes in each security in which MM is registered for at least 90% of continuous trading
- Presence during the opening and closing auction match
- MM account usage only
- FIX connectivity