Central Securities Depository of Kazakhstan: implemented initiatives and plans
Central Securities Depository JSC (KACD)

KACD was founded on 18 July 1997 under the name "Central Securities Depository".

KACD is a non-profit organization operating in the legal form of a joint stock company.

KACD is the only organization on the territory of the Republic of Kazakhstan that has the right to carry out depository activities and maintain a system of registers of securities holders.

On 23 February 2016, Thomas Murray confirmed the KACD rating at A+.

18 shareholders as of 01.01.2021

- National Bank of Kazakhstan: 64%
- Second-tier banks: 29%
- KASE: 6%
- Brokers: 1%
- Other: 1%
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About KACD

- KACD accounts with other organizations:
  - Clearstream Banking
  - NSD (Russia)
  - Euroclear Bank
  - RUE "RCSD" (Belarus)
  - Central Depository CJSC (Kyrgyz Republic)
  - AIX CSD

- Foreign custodian accounts with KACD:
  - PJSC "Best Efforts Bank"
  - VTB Bank (PJSC)
  - AO Raiffeisenbank
  - PJSC ROSBANK
  - JSC Citibank Kazakhstan

Depository activities (01.06.2021)
- 52 clients
- 175.2 thousand subaccounts
- $217.4 billion securities

Registrar activities (01.06.2021)
- $378.3 billion securities
- 1.7 million accounts
Presentation for AECSD

Consolidation of registrar and depository activities

**Depository activities (01.06.2021)**
- 52 clients
- 175.2 thousand subaccounts
- $217.4 billion securities

**Registrar activities (01.06.2021)**
- 2076 issuers
- 1.8 million account holders
- 11,211 operations in 5 months

**Synergy of combining activities**
- A single center for recording ownership rights to securities
- Simplification of procedures for transferring instruments between the nominee holding system and the register system
- Reduced operating costs and reduced tariffs for customers
Accounting of money unclaimed by holders

Subject to safekeeping at KACD:
- unpaid dividends for previous periods;
- unpaid instruments related to forced redemptions;
- unclaimed money related to bond redemption (planned);
- unclaimed money related to the liquidation of a joint-stock company (planned).

Scheme of operation:
- Identification of individuals
- Calculation of the amount due
- Transfer of money to a bank account of an individual

Operating results for the period from 2019:
- Received from issuers and majority shareholders (~ USD 27.6 million): 11.8 billion tenge
- Paid to holders (~ USD 9.2 million): 3.9 billion tenge
### Electronic services for retail clients

#### Implemented features for retail customers and issuers
- Client authentication by means of electronic digital signature
- Submission of orders for registrar activities
- Exchange of electronic documents with clients
- Automation of requests to maintain registers

#### Short-term projects
- Implementation of biometric identification through face recognition
- Implementation of remote business establishment
- Integration with government databases

#### Medium-term projects
- Implementation of banking services for retail investors
- Providing access to trading in unlisted securities
- Attracting retail investors to participate electronically in corporate events of issuers
Access of non-residents to the services of the Central Securities Depository

- In 2013, the opportunity to conduct currency transactions, payment of interest and debt in Kazakhstan tenge in the Euroclear and Clearstream systems was implemented.
- In 2018, government securities of the Republic of Kazakhstan were included in the list of securities settled in the Clearstream system. This initiative made it possible to carry out settlements on government securities issued in tenge within the framework of Kazakhstan legislation through Clearstream on the Free of Payment basis.
- In 2020, the international settlement line was upgraded to use the Delivery versus Payment type, which ensured risk mitigation for the parties involved and was in line with the best world practices.
Volume of transactions with government securities of the Republic of Kazakhstan involving non-residents, 2016 - 2021 (USD million)

Number of transactions with government securities of the Republic of Kazakhstan involving non-residents, 2016 - 2021
Presentation for AECSD

Number of net transactions per day with government securities of the Republic of Kazakhstan involving non-residents in May 2021

Percentage of net positions for non-residents in the context of all holders of government securities of the Republic of Kazakhstan in May 2021
Structure of securities accounts and sub-accounts in the Central Securities Depository

Recordkeeping system of the Central Securities Depository

- Securities accounts in the system of registers of instrument holders
  - Client / issuer subaccount
    - Client / issuer subaccount for recordkeeping of declared instruments
    - Client / issuer subaccount for recordkeeping of repurchased instruments
  - Recordkeepping system of the Central Securities Depository
    - Client / issuer subaccount
      - Client / issuer subaccount for recordkeeping of declared instruments
      - Client / issuer subaccount for recordkeeping of repurchased instruments
    - Holder's subaccount
      - Holder's subaccount with full disclosure of holder data
        - Subaccount opened with a unique code
          - Nominee subaccount for the aggregate recordkeeping of instruments (for local nominees)
            - Daily submission of electronic data

- Clients' securities accounts
  - Nominee subaccount
    - Nominee subaccount for the aggregate recordkeeping of instruments (for local nominees)
Exchange operations

In 2021, the Central Securities Depository plans to obtain a license for exchange operations with foreign currency in order to:

- Optimize clients’ time and expenses on currency conversion when purchasing securities denominated in foreign currency.
- Facilitate foreign investors’ access to securities denominated in foreign currency.

Assumed conditions to access exchange operations:

- **Clients:**
  Clients of the CSD.

- **Legal basis:**
  Agreement for the provision of conversion services in foreign currency.

- **Technical requirements:**
  It is planned to provide direct access to trading on the foreign exchange market of the stock exchange.

- **Settlements:**
  Using bank accounts opened with the Central Securities Depository.

- **Conditions for concluding transactions:**
  Prepayment.