



PRESS ANNOUNCEMENT

Monday 15th February, 2016

Thomas Murray re-affirms the Central Securities Depository Rating for the Central Securities Depository of the Republic of Kazakhstan at A+ with Outlook 'On Watch'

LONDON - Thomas Murray, the specialist capital market data, risk management and research firm has re-affirmed the Public Depository Rating for The Central Securities Depository of the Republic of Kazakhstan (KACD) at 'A+', 'Low Overall Risk'. The rating is made up of the following components:



CSD Rating	Overall Rating	Asset Commitment Risk	Liquidity Risk	Counterparty Risk	Asset Safety Risk	Asset Servicing Risk	Financial Risk	Operational Risk	Governance & Transparency
KACD Rating:	A+	AA	A	A	AA-	AA-	AA	A+	AA-

The overall rating of 'A+' reflects the weighted average of eight individual risk components and indicates a low risk exposure profile with 'On Watch' outlook. Although the overall rating remains stable, improvements in different components have been observed during the last year. Accordingly, there has been an upgrade of the financial risk component (from A+ to AA) and the operational risk component (from A to A+).

Financial risk has improved as KACD now receives the full explicit support of the National Bank of Republic of Kazakhstan (NBK) should the depository face any losses at any point in time. Such backing would guarantee that KACD continues operations, if the entity finds itself under financial stress. In turn, this would ensure the market's stability. In addition, NBK has opened an unsecured credit facility for KACD to guarantee access to liquid resources if the depository requires. The support is subject to the implementation of a sound risk management framework at KACD. In order to meet this requirement, KACD has been strengthening and tightening its risk framework over the last three years.

The operational risk component was upgraded as KACD has enhanced its communications capabilities between the Disaster Recovery (DR) and main sites, guaranteeing permanent connection between both operational locations at optimal capacity. In addition, the depository improved the data protection arrangements between servers at the DR and main sites when recording market information. As a result, data mirroring now takes place on a real-time basis providing a stronger arrangement to protect the market's records.

The rating outlook has been put 'On Watch' as there are a series of developments taking place in the next year that could affect KACD's rating. However, the full impact of these development projects cannot be determined at this stage. One of those developments is the full implementation of the T+2 settlement cycle for the securities included in Kazakhstan Stock Exchange (KASE)'s index. The new cycle was implemented on a trial basis in July 2015 and became mandatory on 1 January 2016. The cycle incorporates the use of margin before trading and a net settlement model, as well as a default risk management mechanism which includes five lines of defence. Additionally, the wider use of ISO 20022 standard SWIFT messages in the local market and the enhancement of the depository's internal audit arrangements are two areas that continue to be developed.

Nick Bradley, Chief Risk & Rating Officer at Thomas Murray, said "*Thomas Murray notes that, over the last year, KACD has made improvements in its risk management processes. Thomas Murray also notes that its financial profile has strengthened. The rating reflects the emphasis that KACD has placed in aligning the depository and Kazakhstan with global best practice in many areas*".

Bakhytzhan Kapyshev, President of the Central Securities Depository of the Republic of Kazakhstan, said "*KACD attaches special importance to an improvement of risk management system, increase of financial stability and operational reliability. KACD has been designated as systemically important financial market infrastructure for the period from January 1 till December 31, 2016 in accordance with the order No. 384 of the Governor of the National Bank of the Republic of Kazakhstan dated September 1, 2015. It's very important for us to develop constantly the business continuity management and risk management systems according to the best world experience and the international standards. In 2015 the rating components issued to KACD by Thomas Murray such as Financial Risk and Operational Risk have been upgraded from A+ to AA and from A to A+ respectively. By taking into account the recommendations given by Thomas Murray we will further improve the risk management system, increase financial stability and operational reliability and this will be one of the main priorities of KACD for the next years*".

The Central Securities Depository Rating assesses the ability of the CSD to mitigate risk associated with its activities of safekeeping and the clearing and settlement of securities. The rating assesses eight 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 has maintained proprietary assessments of over 140 CSDs globally as part of the Thomas Murray Depository Risk Assessment services. These reports are available via [Thomas Murray Data Services](#) on a subscription basis.

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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.

For additional information about Thomas Murray Data Services, please visit ds.thomasmurray.com.

About the Central Securities Depository of the Republic of Kazakhstan (KACD)

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.

For additional information about the Central Securities Depository of the Republic of Kazakhstan (KACD), please visit www.kacd.kz.

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Thomas Murray Data Services is a specialist custody rating, risk management, research and information provider specialising in the global securities services industry.

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