



**AIFC RULES ON FACILITATING
THE SAFEKEEPING AND SETTLEMENT OF THE SOVEREIGN BONDS**

AIFC RULES No. AFSA-L-PC-2019-0001 OF 2019

Astana International Financial Centre, Astana

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Guidance: Purpose and application of these Rules.

The purpose of these Rules is to facilitate the safekeeping and settlement of Republic of Kazakhstan sovereign bonds in the systems of non-AIFC securities depositories.

PART I. INTRODUCTION

1. Short Title

These Rules may be cited as the *Sovereign Bonds Safekeeping and Settlement Rules*.

2. Commencement

These Rules come into force on 29 January 2019.

3. Application and Scope

- (1) These Rules apply within the jurisdiction of the AIFC.
 - (a) These Rules apply to Sovereign Bonds which are registered on the books of the Registrar; and
 - (b) included on the Official List of Securities of an Authorised Investment Exchange.
- (2) These Rules specify certain matters in respect of the safekeeping and settlement of Sovereign Bonds which shall be governed by the Governing Law of the CSD to which the Sovereign Bonds have been admitted for such purposes. The Governing Law of the CSD shall additionally apply in relation to any other aspects of the safekeeping and settlement of Sovereign Bonds that would normally be governed by such law and which are not covered by these Rules.
- (3) To the extent that any other AIFC Act of the same or lower level in the hierarchy of the Acting Law of the AIFC as these Rules is inconsistent with the provisions of these Rules, these Rules shall prevail to the extent relevant for the issuance, placement or trading of the Sovereign Bonds.

4. Interpretation

- (1) Schedule 1 contains definitions used in these Rules and other interpretative provisions.
- (2) Sovereign Bonds are not Investments specifically for purposes of the AIFC Personal Property Regulations 2017 (PPR) and the AIFC Dematerialised Investments Rules 2017 (DIR), with the effect that PPR and DIR do not apply in respect of Sovereign Bonds.

PART 2. REGISTRAR

5. Status and Appointment

- (1) A Registrar shall be appointed by the Issuer pursuant to an agreement according to which the Registrar will provide services relating to the establishment and maintenance of the register of the Sovereign Bonds and which sets out the rights and responsibilities of the Registrar towards the Issuer, as well as the terms and conditions of the appointment of the Registrar.
- (2) The bankruptcy, insolvency or winding-up of the Registrar, or any other agent, shall not affect in any manner whatsoever the Sovereign Bonds recorded on the books of the Registrar, or the rights or interests of the holders of such Sovereign Bonds. The Sovereign Bonds recorded on the books of the Registrar do not form part of the property of the Registrar available for distributions among, or realisation for the benefit of, the creditors of the Registrar in bankruptcy or insolvency proceedings in relation to the Registrar.

6. Register of the Sovereign Bonds

- (1) The Registrar shall establish and maintain the register of the Sovereign Bonds in the AIFC upon the instruction of the Issuer.
- (2) The Registrar shall increase or decrease the issued amount of the Sovereign Bonds recorded in the register upon the instruction of the Issuer.
- (3) For the purpose of the primary issuance of the Sovereign Bonds a single CSD (or Nominee thereof) shall be appointed by the Issuer under the agreement between the CSD and the Issuer and in accordance with these Rules. Such CSD (or Nominee thereof)
 - (a) shall be recorded in the register as the legal holder of the entire issued amount of each issue of the Sovereign Bonds, in which case the rights and responsibilities of the CSD (or its Nominee) and the Registrar in connection with the Sovereign Bonds in relation to each other shall be stipulated in an agreement entered into between them;
 - (b) may hold the Sovereign Bonds in an Omnibus Account;
 - (c) shall be entitled to direct the Registrar to re-register the Sovereign Bonds in the name of a Participant or any other person specified by either the CSD (or Nominee thereof) or the Issuer;
 - (d) shall not be deemed the beneficial owner of such Sovereign Bonds; and
 - (e) from time to time may be replaced by the Issuer, provided that appropriate arrangements are in place to ensure an orderly transition.
- (4) The appointment of such a CSD by the Issuer shall be subject to an agreement setting out the respective functions, rights and responsibilities of the Issuer and CSD in relation to the Sovereign Bonds.

- (5) The appointed CSD may, but is not obliged to, engage an appropriately licensed or authorised (however described) financial institution, person or system to carry out any aspect of such functions, provided that the CSD shall remain ultimately responsible for the performance of such functions;
- (6) Legal title to Sovereign Bonds as held by a CSD (or Nominee thereof) as recorded in the register of the Sovereign Bonds shall not be subject to (a) attachment by any person or to any lien, pledge, right of retention, set-off, or any other similar right, to the detriment of any of the CSD (or Nominee thereof) or any beneficial owner of such Sovereign Bonds or (b) any freeze order or attachment by, or at the request of, any AIFC Body.

PART 3. CENTRAL SECURITIES DEPOSITORY

7. Safekeeping and Settlement

- (1) Subject to the provisions of this section 7, safekeeping and settlement functions in relation to the Sovereign Bonds may take place on the facilities maintained either in or outside the AIFC and/or the Republic of Kazakhstan.
- (2) Without prejudice to section 6 and to the extent that Sovereign Bonds have been admitted to trading on an Authorised Investment Exchange, such Authorised Investment Exchange may, in accordance with the AIFC Authorised Market Institutions Rules (AMI), the AIFC General Rules (GEN) and other applicable provisions of the Acting Law of the AIFC, appoint a settlement agent to carry out settlement and safekeeping functions (if any) in relation to transactions in Sovereign Bonds conducted on its facilities.
- (3) The title to the Sovereign Bonds as well as settlement of the Sovereign Bonds on the books of the CSD and the settlement finality rules, shall in each case be governed by the Governing Law of the CSD and the rules, procedures and contracts of such CSD.

8. Securities Lending and Borrowing Program

- (1) A CSD may include the Sovereign Bonds in its securities lending and borrowing programmes. The services rendered by a CSD and related to its securities lending and borrowing programmes shall be governed by the Governing Law of that CSD and the rules, procedures and contracts of such CSD.

9. Collateral Management

- (1) The services rendered by a CSD in relation to collateral transactions with the Sovereign Bonds held in the system of that CSD shall be governed by the Governing Law of the CSD and the rules, procedures and contracts of such CSD.

10. Reporting and Liability

- (1) The liability of the CSD appointed under these Rules, (or its Nominee), and(or) the directors, officers, employees and agents of such CSD (or Nominee), shall be governed by the Governing Law of the CSD and the rules, procedures and contracts of such CSD.
- (2) The CSD appointed under section 6 will not be subject to any reporting requirements under the Acting Law of the AIFC.

PART 4. SOVEREIGN BONDS

11. Sovereign Bonds

- (1) Only fully fungible, freely transferable uncertificated Sovereign Bonds shall be eligible with the CSD for safekeeping and settlement.

12. Sovereign Bonds Documentation

- (1) The governing documentation of the Sovereign Bonds shall provide for the possibility to register the Sovereign Bonds with the Registrar in the name of a person other the beneficial owner of the Sovereign Bonds (nominee registration).
- (2) The governing documentation of the Sovereign Bonds shall not provide for any obligation for the CSD and its Nominee to monitor holding restrictions applicable, if any, to the Sovereign Bonds.
- (3) The governing documentation of the Sovereign Bonds shall provide for the procedure to notify the CSD on the events of default of the Issuer, as well as the appointment of a representative of the holders of the Sovereign Bonds or the conferring of the rights in connection with the events of default to the beneficial owners of the Sovereign Bonds. The CSD shall not act as the representative of either the legal or beneficial holders of the Sovereign Bonds in connection with events of defaults of the Issuer.

13. Admission to trading and Exemption from the Requirement to be Admitted to Trading

- (1) In order to admit the Sovereign Bonds to trading on Authorised Investment Exchange, the Issuer shall demonstrate to Authorised Investment Exchange a satisfactory systems or arrangements for clearing and settlement.
- (2) Sovereign Bonds that have been admitted to the Official List of Securities of an Authorised Investment Exchange need not comply with the requirement in section 66(3) of the Framework Regulations; provided, however, that such Sovereign Bonds may be admitted to trading on the Authorised Investment Exchange in accordance with applicable AIFC Regulations and Rules and the Rules of the Authorised Investment Exchange.

SCHEDULE 1

- (1) In these Rules the following definitions apply, unless the context requires otherwise:

Authorised Investment Exchange has the meaning set out in the AIFC Glossary.

CSD means a central securities depository which operates a securities settlement system, which may be a foreign central securities depository established in a third country (i.e. outside of the AIFC and the Republic of Kazakhstan);

Governing Law of the CSD means the governing law of the jurisdiction in which a CSD is incorporated, without regard to conflict of law principles.

Issuer means the Ministry of Finance of the Republic of Kazakhstan.

Nominee means a nominee company wholly owned and/or controlled by a CSD, which holds legal title to dematerialised securities on behalf of the CSD in order to facilitate the safekeeping and settlement of such securities by the CSD.

Omnibus Account means a nominee account that is established for the benefit of multiple beneficial owners.

Participant means any entity which has entered into an agreement to participate in a CSD on the terms and conditions set out in the internal rules of the CSD.

Registrar means a company incorporated in the AIFC which is appointed by the Issuer to establish, maintain and keep the register of the Sovereign Bonds in the AIFC.

Sovereign Bonds means debt securities issued by the Issuer, registered on the books of the Registrar and included on the Official List of Securities of an Authorised Investment Exchange.

- (2) Any capitalised terms used, but not defined in these Rules shall be construed in accordance with the acts of the AIFC, unless the context requires otherwise.