

On approval of the Rules for transfer of part of the reserve assets of the National Bank of the Republic of Kazakhstan to external management

Unofficial translation

Resolution of the Board of the National Bank of the Republic of Kazakhstan dated January 28, 2016 № 17. Registered with the Ministry of Justice of the Republic of Kazakhstan on February 25, 2016 № 13225. By the resolution of the Board of the National Bank of the Republic of Kazakhstan dated March 19, 2020 No. 30 (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Unofficial translation

Footnote. By the resolution of the Board of the National Bank of the Republic of Kazakhstan dated March 19, 2020 No. 30 (shall be enforced upon expiry of ten calendar days after the day its first official publication).

In order to implement the Law of the Republic of Kazakhstan dated November 24, 2015 "On introduction of amendments and additions to some legislative acts of the Republic of Kazakhstan on issues of non-performing loans and assets of banks of the second tier banks, provision of financial services and activities of financial organizations and the National Bank of the Republic of Kazakhstan, "the Board of the National Bank of the Republic of Kazakhstan **hereby RESOLVED as follows:**

1. To approve the attached Rules for transfer of part of reserve assets of the National Bank of the Republic of Kazakhstan to external management.

2. The Department of Monetary Operations and Asset Management (A.M. Moldabekova) in accordance with the procedure established by the legislation of the Republic of Kazakhstan shall:

1) ensure jointly with the Legal Department (N.V. Sarsenova) the state registration of this resolution with the Ministry of Justice of the Republic of Kazakhstan;

2) send this resolution to the republican state enterprise on the right of economic management "Republican Center of Legal Information of the Ministry of Justice of the Republic of Kazakhstan":

for official publication in the information and legal system "Adilet" of the Republic of Kazakhstan within ten calendar days after its state registration with the Ministry of Justice;

for inclusion in the State Register of Regulatory Legal Acts of the Republic of Kazakhstan, Reference Control Bank of Regulatory Legal Acts of the Republic of Kazakhstan within ten calendar days from the date of its receipt by the National Bank of the Republic of Kazakhstan after the state registration with the Ministry of Justice of the Republic of Kazakhstan;

3) place this resolution on the official Internet resource of the National Bank of the Republic of Kazakhstan after its official publication.

3. The Department of International Relations and Public Relations (A.K. Kazybayev) shall ensure that this resolution shall be sent for official publication in print publications within ten calendar days after its state registration with the Ministry of Justice of the Republic of Kazakhstan.

4. Control over the execution of this resolution shall be entrusted to the Deputy Chairman of the National Bank of the Republic of Kazakhstan G.O.Pirmatov

5. This resolution shall be enforced upon expiry of ten calendar days after the date of its first official publication and shall apply to relations having arisen from February 1, 2016.

*Chairman
of the National bank
of the Republic of Kazakhstan*

D. Akishev

Approved
by resolution № 17
of Board of National bank
of the Republic of Kazakhstan
dated January 28, 2016

Rules

for transfer of part of the reserve assets of the National Bank of the Republic of Kazakhstan to external management

1. General provisions

1. These Rules for transfer of reserve assets of the National Bank of the Republic of Kazakhstan to external management (hereinafter referred to as the Rules) have been developed in accordance with the Law of the Republic of Kazakhstan dated March 30, 1995 "On National Bank of the Republic of Kazakhstan" (hereinafter referred to as the Law on National Bank) and shall define the procedure for transfer of part of reserve assets of the National Bank of the Republic of Kazakhstan (hereinafter referred to as the National Bank) to external management of non-resident banks of the Republic of Kazakhstan and organizations engaged in asset management activities.

2. The Rules shall use the concepts provided for in the Civil Code of the Republic of Kazakhstan (Special Part) dated July 1, 1999, as well as the following concepts:

1) regional mandate - portfolio whose investments shall be concentrated within one country (market, region);

2) active asset management - a type of management where the tracking error value shall exceed 0.5 percent;

3) passive asset management - a type of management where the tracking error value shall not exceed 0.5 percent. In passive management, the return of the portfolio in external management shall be approximately equal to the return of the reference portfolio;

4) external transit management of assets - a type of management, in which assets shall be transferred for a period of up to 6 (six) months to the external transit manager in order to minimize risks in connection with changes in the structure of transferred assets;

5) information ratio - the ratio of the level of superannuation to tracking error;

6) reserve assets - reserves assets of the National Bank in accordance with the Law on the National Bank and other assets;

7) a global mandate - a portfolio whose investments shall go beyond one country (market, region);

8) diversification - placement of assets in financial instruments and other property in order to reduce the risk of reducing their value;

9) correlation - the statistical relationship of two or more values. The correlation shall be positive if, as one value increases/decreases, the value of the second indicator increases/decreases. The correlation shall be negative if, as one value increases/decreases, the value of the second indicator decreases/increases;

10) alternative instruments - investment products, differing from financial instruments (stocks, bonds and money market instruments) by high indicators of profitability, risks and low liquidity;

11) interbank market - a set of relations arising during transactions on purchase and/or sale of foreign currency, securities, payment documents in foreign currencies on the unorganized market;

11-1) the head organization - the company holding the controlling stake in the subsidiaries ;

12) the exchange market - a set of relations with the use of trading systems of the trades, which shall carry out organizational and technical security of trading, by their direct holding;

13) institutional investor - a legal entity investing money in financial instruments;

14) commission - remuneration paid for asset management services;

15) assets on advisory services - assets managed by an external manager, on which the external manager shall advise the client in terms of investment management of the client 's assets;

16) variability of tracking error - the difference between the yield of the reference portfolio and the yield of the portfolio;

17) a specialized mandate - a mandate transferred to external management in order to diversify types of management and negative correlation between income of external managers ;

18) mandate - portfolio having certain investment characteristics;

19) margin account - a current account for transactions with derivative financial instruments, opened in the clearing organization and used for accounting of security under transactions and settlement of transactions with derivative financial instruments;

20) portfolio - a set of financial instruments, including cash currency;

21) portfolio manager - the person responsible for managing customer assets;

22) external management - a type of management of assets at which assets of the client shall be delivered in trust management to the nonresident bank of the Republic of Kazakhstan or the organization specializing (specializing) in trust management of assets of clients and performing (performing) activity in the international financial markets;

23) external manager - a non-resident bank of the Republic of Kazakhstan or an organization specializing in trust management of client assets and performing its activities in international financial markets;

24) external transit manager - a non-resident bank of the Republic of Kazakhstan or an organization specializing in external transit management of client assets and performing its activities in international financial markets;

25) the transit period - the time period applied to the portfolio, established in accordance with the Rules in order to bring it into compliance with the parameters established by the investment strategy of the National Bank for the management of reserve assets;

26) authorized subdivision - monetary operations subdivision of the National Bank;

27) Management of the National Bank – the Chairman of the National Bank, the Deputy Chairman of the National Bank, overseeing the authorized division of the National Bank;

28) the level of superannuation - the difference between the actually achieved level of profitability and the level of profitability of the reference portfolio;

29) forex transactions - purchase or/and sale of currency on the stock exchange and interbank market;

30) reference portfolio - a set of tools reflecting the strategic interests of the investor. The return on the reference portfolio shall serve as a measure in assessing the return on asset management.

Footnote. Paragraph 2 as amended by the resolution of the Board of National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

3. Part of the reserve assets shall be transferred to external management for the purpose of :

1) reducing risks associated with the type of management due to diversification;

2) increasing the profitability of the management of reserve assets due to the use of experience, analytical materials, and research and technical resources of the external manager;

3) obtaining expertise and advice in the field of asset management, training of personnel;

4) opportunities to introduce new asset classes for which there shall not be any experience in independent asset management.

4. The total permissible limit of reserve assets transferred to external management shall not exceed 30 (thirty) percent of the total reserve assets.

The total permissible limit of reserve assets transferred to external management of one external manager shall not be more than 5 (five) percent of the total volume of reserve assets.

In case of violation of these restrictions, the authorized department shall eliminate the inconsistencies within 1 (one) quarter from the date of occurrence.

5. The selection of the type of management and reference portfolio for the external manager shall be carried out in accordance with the goals of management of reserve assets and restrictions provided by the investment strategy of the National Bank for management of reserve assets, depending on the market situation.

6. The external manager or external transit manager shall be paid a fixed commission and/or a commission depending on the results of the management in accordance with the agreement on transfer of part of the reserve assets to external management or the agreement on transfer of part of the reserve assets to external transit management.

2. Procedure for transfer of part of the reserve assets to external management

7. The authorized subdivision shall publish on the Internet resource of the National Bank information on the forthcoming tender at the choice of the external manager, shall draw up a list of potential external managers, and shall send information to the potential external manager, who shall contain the following:

1) description of the type of mandate and its characteristics (reference portfolio, management objectives, investment restrictions, approximate scope of the mandate);

2) information requested from the external manager, in accordance with Annex 1 to the Rules;

3) requirements to potential external managers;

4) the deadline for submitting to the National Bank the information requested from the external manager;

5) information on officials of the National Bank responsible for the tender;

6) conditions provided for in paragraph 22 of the Rules. A prerequisite for the consideration of the proposal of the external manager shall be his written confirmation of the inclusion of the conditions provided for in paragraph 22 of the Rules in the agreement on the transfer of part of the reserve assets to external management.

8. The tender at the choice of external managers shall be carried out by the authorized division.

9. Potential external managers shall submit to the National Bank electronically and/or on paper the information requested from the external manager in accordance with Annex 1 to the Rules.

10. The authorized department shall carry out a comparative analysis of all proposals received by external managers, taking into account the mandatory criteria provided for in paragraphs 11 and/or 12 of the Rules.

If the external manager meets the mandatory criteria set out in paragraphs 11 and/or 12 of the Rules the authorized department shall carry out further consideration of the proposal and comparative analysis according to the evaluation criteria. A list of evaluation criteria for comparative analysis of external management proposals shall be provided in Annex 2 to the Rules.

The evaluation of the external manager's proposal shall be determined on the basis of the Procedure for evaluation of the external manager's proposal in accordance with the table of evaluation criteria provided for in Annex 3 to the Rules.

When analyzing the proposals of the participants, it shall be allowed to use the National Bank's own data on the existing external asset manager of the National Fund of the Republic of Kazakhstan and reserve assets.

11. Mandatory criteria for mandates in which the amount of transferred part of reserve assets to one external manager shall exceed the equivalent of 300 (three hundred) million US dollars shall be as follows:

1) experience of working with financial instruments, in which it shall be planned to invest part of reserve assets:

at least 10 (ten) years, of which at least 5 (five) years of experience in the declared type of mandate;

if, when a tender is announced for the selection of an external global mandate manager, the participant shall have exclusively similar regional mandates under management - at least 5 (five) years of experience with regional mandates, which shall represent at least 75 (seventy-five) per cent of the global mandate coverage;

2) the amount of assets under management: the external manager shall have under management the total assets of clients (including assets on advisory services) not less than the equivalent of 25 (twenty-five) billion US dollars;

3) the amount of assets under the subject type of mandate under management:

external manager shall have total assets of clients not less than equivalent of 1 (one) billion US dollars according to the given type of mandate;

if, when a tender is announced for the selection of an external global mandate manager, the participant shall have exclusively similar regional mandates under management - at least the equivalent of 1 (one) billion US dollars under the regional mandates, which shall represent at least 75 (seventy-five) per cent of the global mandate coverage.

12. Mandatory criteria for specialized mandates, in which the amount of transferred part of the reserve assets to one external manager shall not exceed the equivalent of 300 (three hundred) million US dollars, shall be as follows:

1) experience of working with financial instruments, in which it shall be planned to invest part of the reserve assets:

at least 5 (five) years, of which at least 3 (three) years of experience in the declared type of mandate:

if, when a tender is announced for the selection of an external global mandate manager, the participant shall have exclusively similar regional mandates under management - at least 3 (three) years of experience with regional mandates, which shall represent at least 75 (seventy-five) per cent of the global mandate coverage;

2) the amount of assets under management: the external manager shall have under management the total assets of clients (including assets on advisory services) not less than the equivalent of 3 (three) billion US dollars, except for external managers under the mandates of alternative instruments, for which the total assets of clients under management shall be not less than 1 (one) billion US dollars;

3) the amount of assets under the subject type of mandate under management:

the external manager shall have the total assets of clients of at least the equivalent of 150 (one hundred fifty) million US dollars under the mandate type in question;

if, when a tender is announced for the selection of an external global mandate manager, the participant shall have exclusively similar regional mandates under management - at least the equivalent of 150 (one hundred and fifty) million US dollars under the regional mandates, which shall represent at least 75 (seventy-five) per cent of the global mandate's coverage.

13. Upon the commencement of a specialized mandate, assets exceeding 300 (three hundred) million US dollars shall be transferred to one external manager as a result of his management, but not exceeding the total permissible limit of the reserve assets provided for in paragraph 4 of the Rules.

14. The authorized department can contact clients of the external manager with a request for results and quality of management of clients' assets.

15. The authorized department shall prepare an opinion on the analysis of proposals by external managers within a period not exceeding 2 (two) months from the date of submission by external managers of information requested from the external manager, in accordance with Annex 1 to the Rules.

16. An opinion prepared by an authorized department containing a comparative analysis of proposals for external management and a proposal for the selection of an external manager shall be submitted for consideration to the Chairman of the National Bank, who on the basis of the results of consideration on the basis of the resolution to the opinion of the authorized department shall approve the most favorable proposals of external managers (short list). The authorized department shall hold negotiations with potential external managers from the short list for the purpose of improving the terms of proposals of external managers.

17. In order to obtain additional information on the procedure for making investment decisions and risk control procedures, meetings with potential external managers may be held by the authorized department.

18. The external manager shall be approved by the decision of the Board of the National Bank providing for the conclusion of an agreement to transfer part of the reserve assets to external management.

If the external manager performing external management of the assets of the National Fund of the Republic of Kazakhstan according to a similar type of mandate with a positive level of super-income for a period of not less than three years meets the criteria established by paragraphs 11 and/or 12 of the Rules, by the decision of the Chairman of the National Bank, his candidature shall be allowed for approval without carrying out the procedures provided for in paragraphs 7, 8, 9 and 10 of the Rules.

Footnote. Paragraph 18 as amended by the resolution of the Board of the National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

19. The authorized department shall, within 1 (one) month from the date of approval of the participant of the tender as external manager in accordance with paragraph 18 of the Rules, shall notify each participant of the tender results.

20. When selecting an external transit manager, the authorized department sends requests to foreign organizations specializing in the provision of transit management services. According to the request, a potential external transit manager shall provide information on coverage markets, transit management strategies and service costs in terms of instrument classes and markets. The external transit manager shall be approved on the basis of the resolution of the Chairman of the National Bank to the official note of the authorized department with analysis of the received proposals of potential external transit managers.

21. Preparation, conclusion of agreement on transfer of part of the reserve assets to external management and agreements on transfer of part of the reserve assets to external transit management and further monitoring of compliance with their conditions shall be carried out by the authorized department.

22. The agreement to transfer part of the reserve assets to external management shall contain the following conditions:

1) the authority of the National Bank at any time to terminate in advance the agreement on transfer of part of the reserve assets to external management in the following cases:

the non-achievement by the external manager of the superannuation of portfolio management in external management compared to the reference portfolio;

violation by the external manager of the restrictions established in the investment strategy of the National Bank for the management of the reserve assets;

amendments in investment strategy of the National Bank for management of the reserve assets;

by the decision of the management of the National Bank with written notification to the external manager and indication of the date of termination of the agreement on transfer of part of the reserve assets to external management;

2) the authority of the National Bank, at its discretion, at any time to replenish/withdraw part of the reserve assets under external management;

3) signing of the agreement on transfer of part of the reserve assets to external management in the state, Russian and/or in the language specified by the agreement of the parties;

4) providing external managers with information on the movement of their personnel responsible for managing assets transferred to external management;

5) visit of the external manager of specialists of the National Bank and independent auditors for the purpose of verification of account transactions, as well as obtaining additional information on the procedure of making investment decisions and procedures for risk monitoring;

6) non-use as brokers of transactions with assets transferred to external management, affiliated with external management organizations;

7) liability of the external manager for violation of the limit of expected variability of yield deviation established by the investment strategy of the National Bank for management of reserve assets of expected tracking error;

8) consulting, training or internship of employees of the National Bank who shall manage part of the reserve assets;

9) submission to the National Bank of the external manager of the full portfolio statements reconciled with the bank (s) - custodian (s) as of the date of termination of the agreement on transfer of part of the reserve assets to external management in case of termination of the agreement on transfer of part of the reserve assets to external management. All expected expenses associated with the portfolio during the external management period shall be determined in accordance with the agreement to transfer part of the reserve assets to external management;

10) submission to the National Bank by the external manager on a regular basis in accordance with the agreement on transfer of part of the reserve assets to external reporting management in accordance with the following main directions:

daily reporting on previous business day transactions;

portfolio valuation (distribution of part of the reserve assets into different classes and types of currencies, composition of portfolio at the end of reporting month, market value of part of the reserve assets at the end of reporting month);

portfolio movements (list of all transactions concluded in the reporting quarter, sorted by different classes and currencies, repayments, dividend payments and accumulated interest);

review of portfolio management results (monthly, quarterly and overall portfolio management results in terms of returns achieved, portfolio risk and tracking error versus reference portfolio);

a written report on the status of relevant markets and their impact on the portfolio;
economic review;

review strategy and explain the most important amendments in portfolio structure
current strategy of investment;

the contribution of various factors to portfolio returns for active asset management;

11) monthly, at the end of each month or on the date of completion of the transit period, the external manager shall check the composition of the portfolio transferred to external management with the data of the bank (s) - custodian (s), in accordance with the agreement on transfer of part of the reserve assets to external management;

12) possibility to make amendments and additions to the agreement on transfer of part of the reserve assets to external management by agreement of the parties;

13) submission of information on transactions performed by the external manager to the bank (s) - custodian (s) not later than the next working day after the agreement and completion of the procedures for confirmation of transactions between the external manager and the broker;

14) submission to the external manager of procedures for approval of brokers, as well as agents and counter partners of the external manager;

15) submission of information on the existence of internal policies and procedures for risk management of the external manager, reducing the risk of abuse and conflict of interest, including ensuring equal distribution of transactions among portfolios of the clients;

16) holding meetings with the authorized department with frequency of once a year to report on the results of the management of part of the reserve assets, on the execution of investment restrictions, assessment of the market situation and its possible impact on the portfolio and on the implementation of investment operations for the management of the reserve assets;

17) liability of the external manager for possible losses caused to the National Bank due to negligence, intentional default or fraud by the external manager;

18) in order to monitor the submission of information by the external manager on the measures applied by the supervisory bodies and participation in court proceedings.

Footnote. Paragraph 22 in the wording of the resolution of the Board of the National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

23. The Agreement on the transfer of part of the reserve assets to external transit management shall contain the conditions provided for in subparagraph 3), 4), 5), 12), 13), 14), 15), 17) and 18) of paragraph 22 of the Rules, as well as the following conditions:

1) the authority of the National Bank at any moment to terminate in advance the agreement on transfer of part of the reserve assets to the external transit administration in the following cases:

violation by the external transit manager of the terms of the agreement on transfer of part of the reserve assets to the external transit management;

upon the decision of the management of the National Bank, providing written notification to the external transit manager and specifying the date of termination of the agreement on transfer of part of the reserve assets to the external transit management in accordance with the agreement on transfer of part of the reserve assets to the external transit management;

2) the authority of the National Bank at any time to replenish/withdraw part of the reserve assets held in the external transit management, unless such actions affect any incomplete external transit management of part of the reserve assets;

3) submission by the external transit manager, at the moment of completion of the transit period, of the full portfolio statements, reconciled with the bank (s) -custodian (s), on the date of completion of the transit period in accordance with the agreement on transfer of part of the reserve assets to the external transit management;

4) submission of reports to the National Bank by the external transit manager in accordance with the following main directions:

reporting on all securities transactions performed by an external transit manager and its affiliated brokers (dealers) and futures transactions;

a report on the performance of any external transit management of part of the reserve assets, including the difference in the value of performance of the transaction, the commission of brokers, the influence of the market, the difference in the purchase and sale rates of currency on forex transactions, taxes/fees and loss of profits at the end of the transit period;

a written report on the status of relevant markets and their impact on the portfolio;

economic review;

review strategy and explanation of the most important amendments in portfolio structure

current strategy for investing part of the reserve assets.

Footnote. Paragraph 23 as amended by the resolution of the Board of the National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

24. In accordance with the agreement on transfer of part of the reserve assets to external management or the agreement on transfer of part of the reserve assets to external transit management, the National Bank shall transfer part of the reserve assets to external or external transit management by transferring money and securities to the accounts of the National Bank from the bank (s) -custodian (s) intended for external management or external transit management.

25. When transferring part of the reserve assets to external management or external transit management, the transit period is taken into account for transfer of part of the reserve assets from one type to another. Transit period duration shall not exceed 15 (fifteen) working days.

26. Part of the reserve assets transferred to external management or external transit management shall be stored in the accounts of the National Bank in the bank (s) -custodian (s) and in the margin account. For external transit managers it shall be allowed to place part of the reserve assets on the margin account of the external transit manager opened with a third party, if there is an agreement between the National Bank and the external transit manager on the terms of operations under such account or the terms of operations under such account in the agreement on transfer of part of the reserve assets to the external transit management.

27. From the date of transfer of part of the reserve assets to external management or external transit management of authorized department, daily monitoring of activities of external manager or external transit manager shall be carried out: compliance with restrictions specified in agreement on transfer of part of the reserve assets to external management or agreement on transfer of part of the reserve assets to external transit management shall be verified, transactions performed by external manager or external transit manager shall be monitored, risk and yield indicators of portfolio in external management shall be evaluated.

Footnote. Paragraph 27 in the wording of the resolution of the Board of the National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

28. Once a year, the authorized department, in accordance with the agreement on the transfer of part the reserve assets to external management, shall meet with the external manager, at which the external manager reports on the results of management, on the execution of investment restrictions, shall assess the market situation and its possible impact on the portfolio and on the implementation of investment transactions in the management of the reserve assets.

Footnote. Paragraph 28 in the wording of the resolution of the Board of the National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

29. The procedure for evaluating the performance of existing external managers shall be carried out with a view to deciding whether to partially replenish/ withdraw part of the reserve assets or to continue/terminate the work with the external manager. This procedure for evaluating the performance of external managers shall be carried out on the basis of the procedure for evaluating the performance of the external manager set out in Annex 4 to the Rules, and based on the results of the analysis carried out by the management of the National Bank, a corresponding decision shall be taken to replenish/withdraw part of the reserve assets or to continue/terminate work with this external manager, or to submit this issue to the Board of the National Bank. The decision shall be made on the basis of the results of management of the external manager and by asset class for the period of management of 3 (three), 5 (five)

and more years from the date of start of management of the external manager taking into account the fee charged.

Footnote. Paragraph 29 in the wording of the resolution of the Board of the National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

29-1. Upon the decision of the management of the National Bank, the withdrawal of part of the reserve assets or early termination of the agreement on transfer of part of the reserve assets with the external manager shall be carried out without the procedure specified in paragraph 29 of the Rules.

Footnote. Rules as added by paragraph 29-1 in accordance with the resolution of the Board of the National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

30. In case of violation of the limit on the volume of part of the reserve assets transferred to external management due to merger of two existing external managers, the authorized department shall submit to the management of the National Bank the issue of termination of the agreement on transfer of part of the reserve assets to external management with one of the two external managers, which showed a lower result. The given violation shall be corrected by the authorized department within 1 (one) quarter from the date of occurrence.

30-1. In the event of a decision to terminate the agreement on the transfer of part of the reserve assets with the external manager on the day of the notification to the external manager of the termination of the agreement on the transfer of part of the reserve assets to the external management, the bank-custodian shall be notified of the suspension of the execution of instructions from the external manager on transactions under the relevant account from the date specified in the notification.

Footnote. Rules as added by paragraph 30-1 in accordance with the resolution of the Board of the National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

31. The report on the results of management of external managers shall be submitted to the Board of the National Bank for consideration on an annual basis, not later than three months after receipt of final audited reports on the portfolios of all external managers from the bank-custodian.

Footnote. Paragraph 31 in the wording of the resolution of the Board of the National Bank of the RK dated 08.08.2016 № 174 (shall be enforced upon expiry of ten calendar days after the date of its first official publication).

Appendix 1
to Rules for transfer
of parts of the reserve assets
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of the Republic of Kazakhstan
to external management

Information,

requested from the external manager

1. Experience of the external manager on the type of mandate under consideration.
2. Assets of clients of the external manager under his management for the last 5 (five) years, including:
 - 1) assets according to the type of mandate under consideration;
 - 2) assets of institutional clients;
 - 3) assets of central banks under management;
 - 4) common assets under management.
3. Information about portfolio and customer relationship managers who shall be responsible for assets transferred to external management.
4. Information on staff turnover over the last 5 (five) years among portfolio managers and analysts.
5. A detailed description of the investment process, portfolio management methods, market research, financial information sources used, or financial instrument valuation models.
6. How active market risk shall be modeled, monitored and managed (if the mandate type in question refers to active management).
7. Specialized software for monitoring and risk management.
8. Historical portfolio management results by similar mandate type over the last 5 (five) years with similar or close type reference portfolio.
9. Description of software used to calculate profitability, risk used in accounting and analytical reporting.
10. Description of internal corporate ethics.
11. Liability of the external manager to the National Bank in case of violation of the terms of the agreement on transfer of part of the reserve assets to external management.
12. Which types of insurance shall be used to protect the client against errors of the external manager.
13. The credit rating of the parent organization (if any), the possibility of the external manager to present the guarantee of its parent organization on compensation of damage in case of non-compliance of the external manager with the terms of the agreement on transfer of assets to external management, or the possibility of signing the agreement on transfer of part of the reserve assets to external management directly with the parent organization, or in the form of a tripartite agreement between the National Bank, the external manager and its parent organization.
14. Conditions provided for clients' training.
15. Information on estimated external management fees.
16. Last audit conclusion of financial report.
17. Internal policies and procedures of the external manager, reducing the risk of abuse and conflict of interest, including ensuring equitable and fair distribution of transactions

among client portfolios, checking the list and approval procedures of brokers, agents and counter-partners of the external manager.

Appendix 1
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Evaluation criteria for comparative analysis of proposals of external managers

Criteria	Criterion of significance (in percent)
1 Historical results of portfolio management (comparative analysis of proposals of potential external managers specializing in regional mandates and participating in the tender for external management services under the global mandate, indicators shall be calculated according to the scope of the mandate)	3 5
average superannuation over the last 3, 5 years (if superannuation over a period less than 5 years shall be positive, the indicator shall be calculated over a period of 5 years)	4 0
average indicator of information ratio for the last 3, 5 years (if the information factor for the period less than 5 years shall be positive, the indicator shall be calculated relatively to the period of 5 years)	6 0
a s s e t s	1 0
2 percentage of assets under this type of mandate to total assets under management (comparative analysis of proposals by potential external managers specializing in regional mandates and participating tenders for external management services under the global mandate shall be used assets under regional mandates. This value shall be standardized depending on the scope of the mandate)	6 5
share of institutional investor assets to total managed assets	3 5
T e a m	1 5
3 average experience of portfolio managers and analysts responsible for asset management under the relevant mandate	5 0
turnover among portfolio managers and analysts across the organization	5 0
Credit status	5
4 in case there shall be a guarantee of the parent organization, or the agreement on transfer of part of the reserve assets to external management shall be signed with the parent organization, the credit rating of the parent organization (S & P or Moody 's) or the credit rating of the potential external manager	
Level of commission remuneration for management	2 0

5	Level of basic commission remuneration	7 5
.	Adoption of the principle of payment for commission remuneration on the basis of the results of external management in case of achievement of positive superannuation exceeding similar indicators for previous periods from the date of start of management of external manager (net new high basis since entry)	1 0
	Adoption of a minimum threshold of superannuation from which the calculation of the commission remuneration based on the results of external management begins, not lower than the basic commission remuneration	1 0
	Adoption of the establishment of the terms of payment of commission remuneration on the basis of the results of external management for several years in parts	5
6	Service	1 0
.	Training of specialists of the National Bank	7 0
	Daily reporting	3 0
7	Availability of specialized monitoring and risk management software	2
8	Adoption of liability to the National Bank in case of violation of the terms of the agreement on transfer of part of the reserve assets to external management	3

Appendix 3
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Procedure for evaluation of the proposal of the external manager according to the evaluation criteria table

1. The evaluation of the proposal of the external manager shall be the amount of all the indicators given in the table of evaluation criteria (hereinafter referred to as the Table) with the corresponding weights.

2. Before the indicator shall be entered in the Table, the indicator shall be rated against the best indicator in the given criteria under consideration using the formula:

The normalized indicator of the manager - the ratio of the indicator of the manager to the maximum indicator for all external managers.

3. The following scorecard shall be used to evaluate the credit rating:

К р е д и т н ы й (S & P / M o o d y ' s)	р е й т и н г	I n d i c a t o r

A A A / A a a	1
A A + / A a 1	0 , 8
A A / A a 2	0 , 7
A A - / A a 3	0 , 6
A + / A 1	0 , 5
A / A 2	0 , 4
A - / A 3	0 , 3
B B B + / B a a 1	0 , 2
B B B / B a a 2	0 , 1
h e r e i n a f t e r B B B / B a a 3	0

4. The following system of indicators shall be used to evaluate the training of specialists of the National Bank:

Trading conditions	Indicator
External manager shall pay for flight, accommodation, meals	1
External manager shall pay for accommodation, meals	0 , 5
External manager shall pay for accommodation	0 , 2

5. If an external manager manages assets of the declared mandate type under another mandate, the results of managing those assets under another mandate shall be evaluated.

Appendix 4
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Methodology of evaluation of performance of the external manager

1. The performance of the external manager shall be evaluated by assigning points to the external manager in accordance with the quantitative and qualitative indicators provided for in this methodology.

2. Quantitative indicators:

1) Information ratio.

P e r c e n t	Information ratio
> 1	3 p o i n t s
0 , 5 -	1 2 p o i n t s
0 - 0 , 5	1 p o i n t
0	0 p o i n t
(-) 0 , 5 - 0	(-) 1 p o i n t
(-) 1 - (-) 0 , 5	(-) 2 p o i n t s
< (-)	1 (-) 3 p o i n t s

3. Quality indicators:

1) Staff turnover.

P e r c e n t	S t a f f t u r n o v e r
> 3 0	(-) 0 , 5 p o i n t s
5 - 3 0	(-) 0 , 2 5 p o i n t s
0 - 5	0 p o i n t

2) Operational risk.

For each violation of the investment strategy on management of the reserve assets of the National Bank due to operational error 0.2 points shall be taken from the estimate.

3) Compliance with a Code of Business Ethics.

For each fact of violation of business ethics by the external manager, 0.5 points shall be taken from the rating.

4. The final performance evaluation shall be calculated as the amount of quantitative and qualitative indicators.